RESEARCH MONOGRAPH

Energy War

The Geoeconomic Origins and Implications of the Israel-Hamas Conflict

Avshalom Rubin
Research Fellow, National Intelligence University

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RESEARCH FELLOW, NATIONAL INTELLIGENCE UNIVERSITY

PUBLISHED SPRING 2026

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Abstract

Israel's prospective integration into Middle East economic networks—especially energy—prompted a backlash from Iran, Turkey, Russia, and China and emboldened Hamas to initiate war on October 7, 2023. This historical case study of the geoeconomic antecedents of the Israel-Hamas war provides readers with a deeper understanding of its origins and implications, contributing to a growing literature on contemporary international competition along Eurasia's southern maritime rim between continentalist powers and the United States and its allies. Situating the Israeli case in the context of this larger struggle between maritime and continental Eurasia provides analysts of the Middle East, the Pacific Rim, and Eastern Europe with a greater understanding of how these regions are embedded in larger international dynamics and a comparative framework for future research and analysis.

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Introduction

Problem Statement

What did Hamas hope to achieve with its October 7, 2023, attack on Israel, which killed 1,200 people, mostly civilians? Some of the movement's leaders, such as senior Political Bureau official Musa Abu-Marzuk, have called the attack—magnified by the failings of Israel's army and intelligence services—a "catastrophic success."[1] Evidence suggests, however, that Hamas's leaders in the Gaza Strip truly believed they could overrun and destroy Israel. Gaza Strip political leader Yahya Sinwar reportedly saw Israel's May 2021 response to Hamas rocket attacks—Operation Guardian of the Walls—as a major failure, and became convinced Israel was internally divided, weak and increasingly at odds with key Western allies.[2] That September, Sinwar sponsored a conference in the Gaza Strip where participants discussed in detail how they would conquer Israel. Presentations included how to replace the shekel with a new currency and how to prevent Israeli scientists and doctors from fleeing abroad.[3] Sinwar and other senior Hamas leaders began plotting with Iran and its regional network of allies and proxies—the so-called Axis of Resistance—to destroy Israel together. Although specific attack plans remained secret, Hamas leaders made their intentions clear. In August 2023, Saleh al-Arouri, the movement's Deputy Political Chief, declared Hamas was preparing for "total battle" and would deal Israel an unprecedented defeat with the help of the Axis of Resistance. Lebanese Hizballah, he said, would help Hamas by overrunning the Galilee, while Axis drones and rockets would close Israel's "skies and seas" and cut off Israel's electricity, communications and economic activity.[4] Although the available evidence indicates Hamas did not provide Iran with prior warning of the October 7 attack to preserve operational security, its leaders clearly assumed that the Axis of Resistance would subsequently join in and help them destroy the Israeli state.[5]

Hamas's assumption that they would be supported by an Iran-led coalition reflects just how profoundly the Middle East and global politics have changed during the two decades leading up to its attack. Between 2000 and 2023, Israel and Palestinian militant organizations had fought asymmetric struggles of varying duration and intensity, none of which drew in other regional actors. By 2023, the Axis of Resistance had acquired military capabilities to support multifront warfare against Israel, and its members were not bogged down in fighting elsewhere. But improved capabilities and regional circumstances cannot entirely explain why Hamas was so confident that its allies would enter the fight. The group did not just assume the Axis of Resistance had the military wherewithal to destroy Israel; it assessed that the international environment was conducive to it doing so.

The disinhibiting effect of international developments—especially Russia's full-scale invasion of Ukraine in 2022—is evident in Hamas leaders' public statements. In September 2023, for example, Abu Marzuk opined that international relations' increasingly multipolar nature and the rising challenges the United States faced from Russia and China would greatly help the Axis of Resistance. He assessed that the United States was no longer strong enough to both intervene in the Middle East and contain Moscow and Beijing elsewhere.[6] Indeed, when war broke out, China, Russia, and Turkey—another critical Eurasian power—supported the Axis of Resistance's war effort, feting Hamas leaders in their capitals and backing the organization at the United Nations (UN) and the International Court of Justice.[7] Turkey banned trade with Israel.[8] Chinese and Russian companies and arms dealers provided Axis of Resistance actors with intelligence and weapons components.[9] Beijing and Moscow also joined Iran in trying to foment pro-Hamas protests in Western capitals.[10, 11, 12]

Ten years earlier, Axis of Resistance leaders probably could not have imagined anything approaching this level of support. Even Turkey, where several senior Hamas officials lived, never cut off trade with Israel in connection with previous Gaza conflicts. During 2014's Operation Protective Edge, the largest of Israel's pre-2023 campaigns against Hamas, Russia barely spoke up, other than to offer its services as a mediator.[13]

Research Question

So, what led China, Russia, and Turkey to align with the Axis of Resistance during the Israel-Hamas war? Was their pro-Hamas tilt just reflective of their general anti-Americanism? A desire to tie down US forces and resources in the Middle East? A courting of Islamist and leftist audiences at home and abroad? This *Research Monograph* acknowledges the importance of balance of power concerns and domestic politics, but posits that China, Iran, Russia, and Turkey had—and maintain—powerful geoeconomic reasons to back Hamas that stemmed from Israel's changing place in Middle Eastern trade networks, specifically regarding energy.

Purpose, Structure, and Relevance to the IC

This *Monograph* elucidates the connections between the Israeli-Palestinian conflict and the broader great power struggle over Eurasia, which have important implications for US interests in the region. The National Security Strategies of both President Donald Trump's and President Joe Biden's administrations identified Gulf-Israeli economic integration and normalization and protecting the free flow of energy from hostile powers as major US interests. The United States is likely to face important decision points on whether a Gulf-Israeli entente remains its preferred path to secure its interests in the Middle East and how such a system could be constructed.

This *Monograph* is organized into three parts:

Part 1 surveys Israel's changing position within the Middle Eastern geoeconomic landscape from 1948 to 2008, charting Israel's competition with Egypt over transit trade and its post-1979 shift toward a strategy focused on limiting Iran's influence over international energy markets. It surveys how the Oslo

Accords* created an opening for Israel to enlist the Arab Gulf states in that anti-Iranian effort, and how the end of the Cold War also reopened the possibility that Israel might become a transit state for Russian or Central Asian oil transported through Turkey.

Part 2 explains how the rise of Iranian power after the US invasion of Iraq and the Arab Spring, the rapid growth of the Chinese and Indian economies, and Israel's discovery of significant natural gas deposits helped galvanize Gulf-Israeli rapprochement and enhanced Israel's importance as a transit state. It analyzes why Turkey and Russia found Israel's burgeoning ties to the Gulf and East Mediterranean states threatening and how the United States limited China from integrating Israel into its trade networks.

Part 3 analyzes events between Russia's full-scale invasion of Ukraine in February 2022 and the Hamas attacks of October 7, 2023, documenting how the US-led effort to push Russia out of European energy markets raised the salience of Israeli-Saudi normalization and gave Ankara, Beijing, Moscow, and Tehran a stronger interest in derailing it. It then discusses Iran's efforts to sever Israel from regional energy and trade networks during the Israel-Hamas war itself, and the implications of those efforts for the future.

Review of Literature and Conceptual Framework: Eurasian Geopolitics, Energy, and Israeli Foreign Relations

Scholars seeking to make sense of contemporary great power competition have taken a renewed interest in geopolitics—the idea that a state's geographic location and topography shape its foreign policy and relationship to the international system. Scholars, such as Hal Brands, Kent Calder, Geoffrey Gresh, Jeffrey Mankoff, and Helen Thompson, have reengaged with the arguments of thinkers, such as Halford Mackinder, Alfred Thayer Mahan, and Nicholas Spykman, who saw international politics driven by shifting configurations of power within and around Eurasia (the vast expanse of land stretching from the Iberian Peninsula to Vladivostok). Like their predecessors, Brands, Calder, Gresh, Mankoff, and Thompson highlight the dynamics of conflict between Eurasia's continental powers—former imperial nations, such as China, Iran, Russia, and Turkey, focused on reconstituting inland trade routes—and the United States, the world's greatest maritime power whose closest allies have tended to be nations on Eurasia's maritime periphery. In this contest, it is the countries along Eurasia's southern rim that constitute the major prize, as the continental powers project power beyond their adjoining seas and into waterways and strategic chokepoints policed mainly by the US Navy. During the past two decades, China, Iran, Russia, and Turkey all intervened militarily or acquired bases in Djbouti, Libya, Syria, and Yemen, extended lines of credit, acquired stakes in gas and oil fields, and built ports and other critical infrastructure in the pursuit of influence in maritime Eurasia.[14]

This body of new geopolitically focused research highlights the importance of energy resources, particularly oil and natural gas, in driving post-Cold War Eurasian economic integration and upheaval within the

* A set of agreements between Israel and the Palestine Liberation Organization (PLO) that served as the basis for subsequent Israeli-Palestinian negotiations on the parameters of Palestinian governance in the West Bank and the Gaza Strip and a two-state solution to the Israeli-Palestinian conflict.

United States' maritime alliances with maritime Eurasian countries. Major Eurasian oil and gas importers, such as China and Turkey, have drawn together with neighboring petrostates, such as Iran and Russia. Advances in intermodal transportation and logistics have broadened these powers' energy networks into full-blown Eurasian trade corridors. Leaders of these continental Eurasian powers have repeatedly also spoken of their desire to resist US sanctions by conducting business in nondollar currencies, and they see each other as partners in that endeavor.[15]

At the same time as it has sought to counterbalance the Eurasian powers' drive toward autarchy, the United States' own increased energy independence has ironically complicated its willingness to take risks in pursuit of this goal. In 1973, the Nixon administration weighed seizing Saudi Arabia's oil fields if Riyadh did not lift its oil embargo on the United States during the Yom Kippur War.[16] In contrast, after a major Iran-linked attack on Saudi Arabia's oil infrastructure in 2019, US President Trump publicly declared the United States no longer needed Middle Eastern oil or gas.[17] Increasingly, the United States has become locked in an uncomfortable dynamic in which it maintains energy security for its Asian and European allies while requiring less and less oil and gas for itself from outside the Western Hemisphere.[18]

Where does Israel fit into this story? The headlines on the Israeli-Palestinian conflict rarely suggest a link to Eurasian maritime geopolitics. Scholars tend to think in terms of territorial conflict, to argue about concepts, such as *strategic depth* and *sacred geography,* to discuss tank battles in the Sinai Peninsula and Golan Heights, rioting over the Al-Aqsa Mosque and the Temple Mount, drawn-out negotiations over the Jordan Valley, or Israeli settlers and West Bank Palestinians fighting over olive groves. The maritime domain—lacking holy places and marching armies—can seem tangential to the high drama of two peoples fighting over a small, symbolically freighted piece of land.

But Israel is a maritime Eurasian actor, and scholars have begun to take a greater interest in its naval strategy and its maritime economic activity.[19] Much of this interest stems from Israel's emergence as a natural gas producer in the early 2000s, after discovering significant quantities near its Mediterranean coast. Yet other reasons have prompted this closer look at the maritime domain in evaluating Israel's international relations. For example, roughly 70 percent of Israel's population lives within 15 kilometers of a seacoast, and conflicts with its Arab neighbors have forced Israel to conduct its trade by sea.[20] In 2024, 99 percent of Israel's import and export cargo passed through its seaports.[21] Despite its small size, Israel boasts of one of the 10th-largest global shipping companies, Zim Shipping, and will maintain a stake in the company even if 2026 talks on its possible sale come to fruition.[22]

Israel has also historically regarded Cyprus—just 220 miles across the Mediterranean Sea—as a neighboring country.[23] Before the ebbing of the Arab economic boycott against Israel, Israeli businesses used Cyprus to clandestinely trade with Arab states.[24] And, as Israeli-Turkish relations have cooled, Jerusalem has come to see Cyprus and its surrounding seas as an extension of Israel's strategic depth. Israeli energy companies have acquired stakes in Cypriot gas fields, the Israel Defense Forces (IDF) has conducted amphibious exercises on the island, and Israel may even have contemplated purchasing a Cypriot port as backup in case Haifa was targeted in war.[25] In 2024, an estimated 411,000 Israelis visited Cyprus and about 15,000 Israelis live there.[26]

Moreover, just as Israel has relied on the sea to transport goods to foreign buyers and import goods for its own market, goods have historically also moved *through* its territory and onward via the Mediterranean and Red Seas. It was long a waypoint, not a final destination; and this history influences its leaders' thinking about geopolitics. In 2021, Israeli Communications Minister Yoaz Hendel named two ancient trade routes—the Incense Route and the King's Highway†—when announcing a plan by Google to link India and Europe through Israel with submarine fiber optic cables.[27] Hendel could have cited more recent examples: In the late 19th century, as the Middle East became more integrated into the world economy, the Ottoman Government connected the port of Haifa to a branch line of the Hijaz Railway. This allowed farmers in the Syrian interior to ship grain to markets in Europe, while manufactured goods from Europe and America flowed in. Under British rule (1918-1948), Haifa was an endpoint for an oil pipeline from Iraq that supplied the second-largest oil refinery in the Middle East, servicing the Royal Navy and many European consumers.[28]

Israel's regional isolation after 1948 ended these long-established trade patterns, but its leaders wished to reestablish them, wanting to become a transit state for oil and gas. As scholars Uri Bialer, John Bowlus, Elie Podeh, Elai Rettig, and Ziv Rubinovitz have shown, Israeli-Egyptian competition over energy transit played a crucial role in shaping the Arab-Israeli conflict between 1948 and 1979.[29] During this period, Israel sought to become a transit state for energy and goods within the US-led maritime Eurasian network, which connected the industrial economies of Europe and Japan with the Persian Gulf. Subject to boycott and challenges to its navigational freedom by Egypt and the Gulf Arab oil producers, Jerusalem tried to compensate by serving as an artery for Iranian oil exports to Europe. In the end, this strategy helped secure peace with Egypt—although without regional economic integration, especially when Israel-Iran energy relations collapsed after the 1979 Iranian Revolution.

Israel's efforts to reestablish itself as a transit state, particularly for energy, after the Cold War and the 1993 Oslo Accords have not been examined in the same depth, despite their importance.[30] Several valuable studies on Israel's post-Oslo, post-Cold War efforts to broaden its international ties largely examine its various lines of effort in isolation from one another and from global geopolitical trends.[31] The scholarship on Israel's natural gas sector, for example, extensively discusses Cyprus, Egypt, Greece, Jordan, and Turkey, but rarely Russia—at least until 2022.[32] Similarly, scholars of Eurasian geopolitics acknowledge the important role of Middle Eastern energy resources and Mediterranean and Red Sea ports and bases in superpower relations, but most have devoted little attention to Israel's place within these broader rivalries.[33]

Yet a closer look reveals that since the early 1990s, Israel has consistently sought to reestablish itself as a transit state—especially for energy—by capitalizing on Arab governments' declining interest in the Palestinian cause, the economic opening of Eastern Europe and the former Soviet Union, and the increased integration of China and India into the global economy. The Israelis did not intend to limit their ties to Eurasia's continental powers: they were eager to serve as a transit state for Russian oil and invited China to develop Israel's ports. Their main goal, however, was always to become part of an economic network involving the Persian Gulf Arab states that stretched from the Eastern Mediterranean to India. This concept,

† The Incense Route generally ran parallel to the Red Sea, connecting Alexandria and Gaza to the Indian Ocean, while the King's Highway ran from Egypt across the Sinai Peninsula to Aqaba and then north to Damascus.

embraced by both the Trump and Biden administrations, sparked strong opposition from Palestinians, who saw such a trade network as an effort to cut them off from regional sources of support and from Iran, which feared the implications of such a corridor for its aspirations to regional hegemony.

Since October 7, 2023, a few scholars, including Tomer Dekel, Guy Laron, and Helen Thompson, have written short, valuable articles that highlight the links between Israel's conflict with the Axis of Resistance and the larger geopolitical struggle over Eurasian trade corridors.[34] In particular, they noted how Ankara, Beijing, and Moscow shared the "Axis of Resistance" countries' fear of the US-sponsored process of Israeli-Gulf Arab economic integration. The India-Middle East-Europe Corridor (IMEC) project, announced by President Biden in September 2023 and implicitly linked to Israel-Saudi normalization, threatened to compete with the International North-South Transport Corridor (INSTC)—a nascent trade route linking Russia to India via Iran—with Beijing's Belt and Road Initiative (BRI), and with the so-called Middle Corridor, which connects Turkey with China. The continental Eurasian powers probably also assumed that if Saudi Arabia normalized relations with Israel, then Riyadh would backtrack on its threats to stop pricing oil in US dollars, dealing a blow to their aim of undermining the dollar's global reserve currency status.[‡] Israel, in other words, did not find itself fighting just Hamas in October 2023. It was, in many respects, at war with Eurasia as well.

This *Monograph* seeks to go beyond the insights of Dekel, Laron, and Thompson to explore whether the great duel over trade corridors they have described was inevitable. After all, Israel did not set out to clash with China, Iran, Russia, and Turkey all at once. In the early 2000s, Israel sought to incorporate itself into a Russo-Turkish "infrastructures corridor" that would have involved building a pipeline to import Russian natural gas through Turkey. Beginning in the 1990s, Jerusalem also purchased significant quantities of Russian oil, some of which it transshipped to East Asian destinations. It contemplated exporting natural gas to Turkey and courted investment from China in its railways and ports. The United States, Israel's principal patron, also did not consciously seek to pit Jerusalem against the continental Eurasian powers. At different points during the decade before the Israel-Hamas war, the United States sought to deescalate tension with Iran, foster Israeli/Turkish rapprochement, and reach a modus vivendi with Russia over Syria.

In other words, the sharp polarization between Israel and the continental Eurasian powers that defined the Israel-Hamas war was rooted in hard geographic facts, but it was not preordained. Alternative pathways did exist, and the salience of geography was often determined by politics just as much as the reverse. By examining the history of Israel's evolution as an energy transit state, this *Monograph* identifies roads not taken, as well as how and why the geopolitical context for the Israel-Hamas war nonetheless developed as it did. This should provide readers with a sense of how the Eurasian maritime trade networks in which Israel is embedded are evolving and may remain potential arenas of conflict.

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‡ US officials acknowledged that the petrodollar issue was discussed in connection with Israeli-Saudi normalization shortly before the war broke out. See: Dion Nissenbaum, "Saudis Agree With U.S. on Path To Normalize Kingdom's Ties With Israel," *Wall Street Journal,* August 9, 2023, https://www.wsj.com/world/middle-east/u-s-saudi-arabia-agree-to-broad-terms-for-israel-normalization-ac6d549c.

Methodology

Research Design

I have chosen to use a process-tracing approach, establishing the importance of Israel's conflict of interests with the Eurasian powers by assembling a body of evidence documenting its evolution over time and identifying critical junctures in that process.[35] Like most process-tracing analyses, this *Monograph* takes a qualitative and descriptive approach to evidence, although it incorporates some quantitative analysis, particularly of economic data. It forgoes, however, formal datasets or statistical analysis, instead combining a comprehensive review of primary sources with a critical reading of secondary literature to illustrate its subjects' intentions and actions.

This *Monograph* is structured as a straightforward historical narrative for the sake of readability and to give the reader a feel for the contingent nature of Israel's path to confrontation with the Eurasian continental powers. This will convey how larger structural forces shaped outcomes and how the ultimate result might have varied had the parties made different choices at specific turning points.

Data Collection and Methodology

Although I have worked on many of the issues discussed in this *Monograph* in a classified setting, I have chosen to use sources available to any researcher to reach a broader audience. Specifically, I have used declassified US and Israeli Government documents, public statements of government officials and politicians, Hebrew and Arabic language press reports, specialized publications on energy and shipping, memoirs, and published statistics and reports by government agencies. This material provides a substantial basis for an accurate understanding of the issues at hand, even though scholars with access to more archival material will undoubtedly augment and enrich this first draft of history.

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The Energy Island, 1948-2008

From its beginning, Israel's leaders have sought alliance with an offshore maritime power to avoid being swallowed up by an aspiring regional hegemon. Unlike its Arab neighbors, Israel had no energy resources to offer in exchange for such protection; its small oil fields at Heletz have never met more than 7 percent of Israel's domestic demand, and the fields entered terminal decline after 1965.[36] Unable to trade energy exports for great power support, Israel's leaders hoped the country could become geoeconomically important by bridging the Mediterranean and Red Seas, which they aspired to connect by road, rail, pipeline, or canal. They likewise hoped Haifa, their main port, would remain a crucial point of transit for goods and fuel moving between the Mediterranean coast and the inland Arab region, as it had been under Ottoman and British mandatory rule.

Unresolved conflict with the Palestinians separated Israel from the Arab world, however, preventing Jerusalem from realizing this vision. Israel briefly became an energy transit state when the Suez Canal was closed (1967-1975)—partnering with Iran to move petroleum by pipeline from the Red Sea to the Mediterranean. But it could not maintain this role after its 1979 peace treaty with Egypt and Iran's Islamic Revolution. Even the 1993 Oslo Accords and the Israeli-Jordanian peace treaty in 1994 failed to enable Israel to establish itself as an economic bridge between the Persian Gulf and Europe.

The Soviet Union's collapse in 1991 offered Israel different geoeconomic opportunities; instead of linking European economies to the Persian Gulf, it could link post-Soviet states and their abundant energy supplies with South or East Asia. Israel could not pursue trade links with Central Asia beyond a certain point without angering Russia, however. At the same time, its dependence on the United States militated against closer ties to Moscow, as did Russia's links to Iran and hostile Arab states.

By the early 2000s, Turkey—Israel's principal intermediary with Central Asia and the Caucasus—also became a challenge for Jerusalem as Ankara drifted from a pro-Western orientation toward a Eurasian and Islamist one. Israel thus remained far from realizing its potential as a transit state, even if it had come a long way from its early isolation.

The Fall and Rise of a Transit State

Even before Israel declared its independence in 1948, its founders aspired to attain power and prosperity from its location at the juncture of Europe, Africa, and Asia. Israel's first prime minister, David Ben-Gurion, avidly read the writings of the 13th century Muslim geographer al-Dimashqi, who described

Jewish merchants living on the Red Sea coast during the Crusader period, linking trade networks there to the Mediterranean.[37] "The Land of Israel is blessed with two seas, the Mediterranean, which connects it with Europe and Africa, and the Red Sea, which connects it with Asia," Ben-Gurion wrote in 1935 to US Supreme Court Justice Louis Brandeis, a prominent backer of the Zionist cause.[38] Ben-Gurion predicted the Western powers would eventually relinquish control of the Suez Canal to Egypt and seek an alternative intercontinental connector that would run through a future Jewish state.[39] He believed that the *yishuv,* the Jewish community in Palestine, would thrive by building a highly educated and skilled workforce and also thanks to its geographically central position. "The development of Jewish industry in Palestine is limited only by the available markets, and there is no reason why a Jewish Palestine should not become the industrial center of the whole Near and Middle East, and supply certain products even so far afield as India," he wrote in 1941.[40]

By the 1930s, the leaders of the *yishuv* had grown more interested in seaborne trade because of intensifying conflict with the Palestinian Arabs, the rise of the Nazis in Germany, and increasingly virulent anti-Semitism throughout central Europe. Zionist leaders felt a new urgency to help Jewish immigrants reach Palestine by sea. If the *yishuv* did not want to depend on Palestinian dockworkers or the goodwill of the British authorities, it needed to control its own ports and ships.[41] In 1937, Ben-Gurion penned an essay extolling the opening of Tel Aviv's port and calling for Zionists to turn their attention to maritime commerce, after years of focusing on agriculture. The *yishuv,* he wrote, needed to develop a merchant marine to facilitate Jewish immigration and develop commercial relations beyond its immediate environment. "Sea commerce," argued Ben-Gurion, "neither involves conflict with Arab competition nor limits us within the confines of Palestine."[42]

It was also clear to Zionist leaders that Palestine was positioned to play a key role in Britain's regional logistic networks, both as a potential bridge between the Mediterranean and Red Seas and as part of a British-controlled economic corridor stretching from Haifa to Iraq. During the late Ottoman period, Haifa had been a transit point for cash crops from the Syrian interior, especially after a spur line of the Hijaz railway in 1905 linked it to Damascus. The discovery of oil in Iraq later made Haifa the key to Britain's strategic and commercial interests in the Mediterranean. It was much cheaper to export Iraqi oil through the Mediterranean than from Basra, and accordingly, the Iraq Petroleum Company (IPC), whose shareholders included the Anglo-Persian (now British Petroleum) and Shell Oil Companies, built a bifurcated pipeline from Kirkuk to terminals in Haifa and Tripoli. By 1939, Shell and Anglo-Persian had also built a giant refining complex in Haifa that could supply the British Navy and European consumers with fuel.[43] The pipeline route was seen as a precursor to a railway connecting Haifa and Iraq to create a British-dominated economic corridor through Iran to India: "a possible alternative to the Suez Canal," in the words of the Imperial General Staff.[44] The Zionist movement chafed at the IPC not paying transit fees to Palestine's government and forcing local consumers to pay high prices for fuel.[45] Haifa's growth, which involved thousands of Jewish workers and many of the *yishuv*'s flagship companies, however, still seemed to portend a future in which the Zionist movement played a vital part within global maritime—and specifically, energy—networks.[46]

In the meantime, the *yishuv* had to contend with the ugly realities of World War II. Britain, the ruler of Mandatory Palestine and the world's greatest maritime power, no longer saw the *yishuv* as a geopolitical asset. With war approaching, Nazi Germany and Fascist Italy sought to exploit Arab anti-Zionism, driving London to renege on its 1917 commitment to establish a Jewish national home in Palestine. Determined to keep Palestine open for desperate European Jews, Moshe Shertok (later Sharett), Ben-Gurion's colleague and another future Israeli prime minister, attempted to convince British officials in 1939 that the Zionist movement could protect its logistics networks if war broke out. "Palestine [is] further than Egypt from Italian airbases; it formed the bridgehead to Aqaba and the Persian Gulf for use in case of the closing of the Suez Canal," Shertok argued. The British could depend on this "second line of defense" for its communications and shipping lines to India and the Far East because the Jews of Palestine, unlike their Arab counterparts, would remain loyal to the Empire.[47] The British, however, did not take Shertok up on his offer. Until they withdrew from Palestine in 1948, they tightly restricted Jewish immigration and land purchases.

The *yishuv's* leaders thus bitterly resolved to serve their own maritime interests, not London's. In June 1945, the Jewish Agency, the parastatal organization that effectively governed the *yishuv,* established Zim (Hebrew for "fleet"), which would eventually become Israel's national shipping company. Zionist leaders hoped Zim would serve as the core of a shipping industry that exclusively served the cause of Jewish state-building by facilitating immigration and tourism, importing raw materials for industry and construction, and exporting the *yishuv's* produce and manufactured goods.[48] But they had not given up hope of capitalizing on Palestine's geographically central position. They hoped Zim could enter the devastated, but reviving, war-torn commercial shipping industry in the Mediterranean[49] and integrate it with the oil-refining complex in Haifa.[50]

As British rule in Palestine unraveled, the Zionist movement worked to ensure it would control Haifa's harbor and secure access to the Red Sea if the country were to be divided between Jews and Arabs. Between 1939 and 1947, the Zionist movement established 25 settlements in the Negev desert, largely to ensure a Red Sea port would fall within the borders of any future Jewish state.[51] "One can foresee the day when a canal will be cut from some part of the Mediterranean coast to [the Gulf of] Aqaba," Zionist leader Chaim Weizmann told US President Harry Truman when they met on November 19, 1947, days before the UN General Assembly approved a partition plan that gave the Negev and Haifa to the *yishuv.*[52] This canal, per Weizmann, would serve as a parallel highway to the Suez Canal, which "could shorten the route from Europe to India by a day or more."[53]

During the war that followed, the newly established state of Israel did take control of Haifa and secured access to the Red Sea, pushing Egyptian forces out of the Negev and taking the Red Sea fishing village of Umm Rashrash, renamed Eilat, in March 1949.[54] Yet, the country was cut off from its regional environment. Arab governments sought to prevent Israel from becoming the transit state that Ben-Gurion, Sharrett, and Weizmann envisioned. All of the Arab League states prohibited commerce between their citizens and Israelis, as well as with foreign firms doing business in Israel. Iraq refused to resume oil flows through the Kirkuk-Haifa pipeline, which had stopped during the war.[55] Saudi King Ibn Sa'ud insisted that the Trans-Arabian pipeline (Tapline), completed in 1950, circumvent Haifa; instead, it linked Saudi oil fields to the Mediterranean through Syria and Lebanon.[56] Egypt imposed a blockade on Israeli-flagged ships sailing through the Strait of Tiran and the Suez Canal, along with vessels carrying Jewish immigrants or war materiel to Israel—a category initially restricted to arms and oil but later broadened to encompass nonstrategic products such as meat and asphalt.[57]

Although these measures did not entirely cut off Israel from the major international oil companies, they did undermine its near-term prospects of remaining a transit state. Western oil companies resumed petroleum sales to Israel in the fall of 1948 and agreed to reactivate the Haifa refinery in 1950, partly because they feared Israel would nationalize the facility. Yet the companies made clear they would not alienate Arab governments by helping Israel become an oil exporter. Shell, Mobil, and Standard Oil, the dominant players in the Israeli oil market, insisted the Haifa facility would refine oil only for Israel's domestic use and charged high prices for the crude imported from the Caribbean and British protectorates in the Gulf.[58]

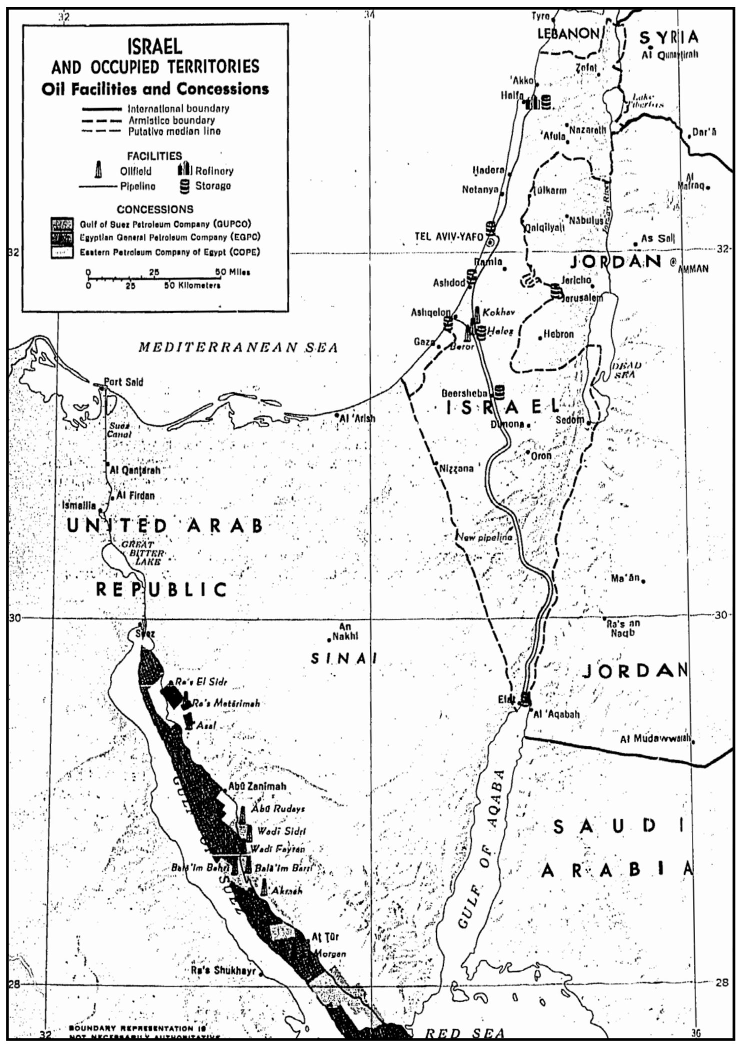
Instead of transporting petroleum and connecting the Red and Mediterranean Seas on behalf of the West, Israel found itself fending off British and US ideas for stitching regional economies back together at its expense. Britain, for example, briefly hoped to internationalize Haifa's port and oil refinery to allow Iraq to resume oil exports along the prewar route.[59] In 1955, Washington and London promoted Project Alpha, a peace plan that called for transferring much of the Negev to Egypt to reunite the eastern and western halves of the Arab world.[60]

Israel had been pushed to the edges of the Anglo-American maritime and energy network but had another option: to integrate itself into a rival Eurasian trade network dominated by the Soviet Union. To some Israelis, this did not seem so far-fetched. Although the Soviet regime had historically opposed Zionism, it had backed Israel during the 1948 war, encouraging Czechoslovakia to arm the Jewish state and approving fuel sales to Israel from Romania, another communist bloc country. Indeed, after the war, Romania sought to sell Israel more refined petroleum products and to use it as a transit state for Romanian crude oil—using Haifa for refining the petroleum and then selling the product elsewhere. The Western companies that owned the Haifa refinery refused but grudgingly agreed to permit Israel to establish its own oil company, Delek (Hebrew for "fuel"), which Jerusalem used to diversify its oil suppliers, including within the communist bloc. Moscow proved a willing oil supplier, despite its otherwise pro-Arab foreign policy orientation. From 1952 to 1956, Israel imported about 30 percent of its oil from the Soviet Union, transported from the Black Sea to Haifa in tankers newly purchased by Zim. The 300,000 to 400,000 tons of oil Israel received in exchange for shipments of citrus fruit represented a not insignificant amount of the 6.5 million tons of crude oil and refined products the Union of Soviet Socialist Republics (USSR) sold annually at the time. But Moscow's ambitions were larger than lemons and oranges. According to some sources, the Kremlin hoped to influence Israeli foreign policy and to encourage Israel to help the USSR access Western European energy markets.[61]

In July 1956, however, Egyptian President Gamal Abdul Nasser nationalized the Suez Canal Company, providing Israel with an opportunity to revive its Mandate-era role as a transit state for Middle Eastern oil to the West. Just four days after Nasser nationalized the canal, Abba Eban, Israel's Ambassador in Washington, met with US State Department officials and proposed that the West consider a canal or pipeline from Eilat to the Mediterranean as an alternative to Suez.[62] The problem with such plans, the *New York Times* noted after news of the discussions leaked, was that a "new Israeli-Egyptian war may be needed to implement them."[63] And indeed, in October 1956, Israel formed an alliance with France and Britain and went to war against Nasser. After occupying the Sinai Peninsula and Gaza Strip, officials in Jerusalem feverishly discussed Eilat-Mediterranean railroad and pipeline plans, hoping that French companies would finance both as part of a postwar settlement.[64] By the time Israel fully withdrew from Sinai and Gaza in March 1957—in exchange for US guarantees of its navigational rights in the Strait of Tiran and a UN peacekeeping force at Sharm El Sheikh —it had also built a pipeline from Eilat to the railway station at Beersheva.[65] From there, oil from Iran, a fellow enemy of Nasser's Egypt, could be distributed elsewhere in Israel.

At first, Iranian crude was shipped through the Strait of Tiran to Eilat, then piped to Beersheva and on to Ashkelon, where it was loaded onto tankers and shipped to the Haifa refinery, along with oil from the Heletz fields.[66] By 1958, Israel had built another section of pipeline to connect Haifa with the Ashkelon oil port.[67] This new supply arrangement effectively compensated Israel for the November 1956 suspension of Soviet oil shipments, and softened the blow from the Western oil companies' departure from the Israeli oil market, which had unfolded gradually between the Suez War and 1958 (Fig. 1).

Figure 1. Trans-Israel Pipeline



Source: CIA memorandum, "Oil Developments in Israel," June 1970, https://www.cia.gov/readingroom/docs/CIA-RDP85T00875R001600030086-4.pdf.

With its access to Iranian oil secure, Israel no longer had to put up with the Western oil companies' price-gouging.[68] More important, it could now contemplate becoming an energy transit state again. In 1960, Israel enlarged the pipeline between Beersheva and Eilat, enabling the network to move more oil than Israel could annually consume.[69] By 1966, Israel was exporting about 200,000 tons of refined products per year from Haifa.[70]

The more important objective, however, was to use the Trans-Israel pipeline, or Tipline, to export crude to Europe, thus restoring Israel as a regional energy hub while marginalizing Egypt. Ben-Gurion believed that Israel needed to seek

Western support for a Turkish-Iranian-Israeli alliance against Nasser and an "Eilat-Haifa axis."[71] Tipline, Eban told Secretary of State John Foster Dulles in 1958, could "bring important economic pressure to bear on Nasser and pro-Nasser elements" and eventually "carry one-fourth of Europe's oil supply."[72]

Until the mid-1960s, most of the major oil companies in the Gulf avoided transporting crude oil through Israel so as not to anger Arab governments. In 1966, two-thirds of oil shipments from the Gulf to Europe still traveled through the Suez Canal.[73] The difficulty sailing larger tankers through the canal, however, prompted the National Iranian Oil Company to explore using Eilat, which could accommodate bigger crude carriers, to transship Iranian oil. By the eve of the 1967 Six Day War, Tehran and Jerusalem were negotiating over enlarging Tipline from 16 to 42 inches, which would allow it to move enough crude to supply European customers.[74]

Indeed, Egypt targeted this burgeoning Israel-Iran oil trade when it closed the Strait of Tiran to Israeli shipping in May 1967. "Israel attached great importance to its trade with East Africa and Asia. This trade depended on one route, the Red Sea via the Gulf of Aqaba, to Eilat," gloated Muhammad Hasanayn Haykal, Nasser's confidante and the editor of Egypt's *Al-Ahram* newspaper. "There were many projects for enlarging Eilat, which at present can handle 400,000 tons a year. In addition, there were the oil lines. … Israel has also dreamed of digging a canal from Eilat to Ashdod to compete with or replace the Suez Canal."[75] Haykal predicted that Israel would need to go to war and that Egypt and its allies would win.

Land Bridge Between War and Peace, 1967-1979

Unfortunately for Haykal, Israel's territorial conquests in the 1967 war enabled it to become both an energy producer and a transit state. Hoping to curry favor with US oil companies, Israel kept Tapline—which ran through the Golan Heights—open even though it generated transit revenues for Lebanon, Syria, Jordan, and Saudi Arabia.[76] Jerusalem did not especially mind Egypt closing the Suez Canal, so long as it did not raise international pressure on Israel to withdraw from the Sinai Peninsula. Israel's control of the peninsula's oil fields negated the need for imported oil. With Israeli domestic demand satisfied and Suez closed to oil tankers, it was now also economical for Iran and Israel to enlarge Tipline and transport large volumes of oil to Ashkelon for reexport.[77]

By 1970, according to one oil company executive, "almost all the major international oil companies were directly or indirectly using the Israeli pipeline,"[78] now owned by the Israeli-Iranian Eilat-Ashkelon Pipeline Company. In 1971, Iran and Israel agreed to transport 40 million tons of oil per year through the pipeline, with Romania—which Tehran and Jerusalem hoped to lure away from the Soviet bloc—their principal customer.[79] A rapidly industrializing Spain also bought significant quantities of Tipline oil, which was about $7 per metric ton cheaper than crude shipments around the Cape of Good Hope.[80] Iran and Israel raised the amount of oil running through Tipline to 60 million tons per year (roughly 1.2 million barrels per day (b/d))—more than one-third of what transited the Suez Canal annually just before the 1967 war.[81] Some Western officials predicted that Tipline and increased tanker traffic around the Cape of Good Hope would negate Europe's need to use the Suez Canal for oil imports.[82] Israeli energy experts predicted that if nuclear energy and North Sea oil discoveries further reduced Europe's dependence on Arab oil, the geopolitics of the Middle East would be transformed.[83]

The Israelis were less successful at turning the Negev into a transshipment route for other goods. Before 1967, roughly 24 million tons of containerized nonoil cargo passed through the Suez Canal yearly.[84] By 1970, the Israeli Government estimated about 15.5 million tons of containerized cargo were being shipped each year around the Cape of Good Hope. At least some of these goods, they reasoned, had been diverted from the Suez route and could be moved more cheaply through the Negev. Hence, the Israeli Cabinet instructed Zim to establish a subsidiary firm, Kedem Land Bridge, to truck shipping containers between Eilat and Ashdod.[85] Company executives estimated freight rates along the land bridge were as much as 20 percent lower than the Cape route, and the Israeli Government offered shippers free war-risk insurance to make it more attractive.[86] In 1970, Kedem Land Bridge moved about 19,000 tons of containerized cargo between the Red Sea and the Mediterranean—mainly goods from East Africa, especially Ethiopia, bound for Europe.[87] That grew to 51,000 tons in 1973.

This small amount of transshipped goods, however, was nowhere close to the prewar quantities of goods that had sailed through Suez.[88] Most cargo between Asia and Europe now traveled around the Cape of Good Hope, on the Trans-Siberian Railway, or through the Panama Canal.[89] Nonetheless, Israeli businesses and officials hoped the volume of container freight that traversed the Negev would grow if the government were to connect Eilat to a rail line. In 1972, an Israel Railways study concluded that by 1981, the amount of freight moving through Eilat would make a railway to the port economically viable and recommended that planning begin.[90]

The potentially permanent eclipse of the Suez Canal frightened Egypt. Immediately after the 1967 war, senior Egyptian officials proclaimed they could not "grant passage through Suez to Israeli ships and survive," even though their US counterparts warned the canal was becoming obsolete.[91] Yet the Arab League could not prevent oil companies from using Tipline nor convince Iran not to do so.[92] To survive as an energy transit state, Cairo in 1970 began to move toward rapprochement with Israel and closer alignment with the Persian Gulf oil monarchies. That July, Nasser announced Egypt would expand the canal to accommodate larger tankers and secured Gulf commitments to finance a pipeline (Sumed) linking the Gulf of Suez with the Mediterranean Sea.[93] For this to succeed, Egypt needed some sort of long-term nonbelligerency accord with Israel, and after Nasser died in September 1970, his successor Anwar Sadat proposed an agreement that would permit the reopening of the canal.[94] Two years of stalemate followed, largely because Jerusalem called for a full peace agreement instead,[95] but Sadat remained focused on reclaiming a place for Egypt within the international energy and shipping systems.

When Egypt and Syria launched a surprise attack against Israel on October 6, 1973, Egypt's Navy blockaded the Bab al-Mandab Strait, temporarily halting all northbound oil shipments through the Red Sea.[96] Meanwhile, at Sadat's request, several Arab members of the Organization of the Petroleum Exporting Countries (OPEC) agreed to impose an oil boycott on the United States and other countries seen as backing Israel, accompanied by a broader OPEC push to cut oil production and raise prices.[97] Suddenly, the Suez Canal no longer seemed obsolete, with Tipline cut off from Iran and the major oil companies struggling to pay for supertanker voyages around Africa, given higher fuel costs.

After the 1973 war, Israel allowed Egypt to reclaim its role as a transit state in exchange for peace and secure oil supplies. In 1975, a second postwar disengagement agreement enabled the Suez Canal to reopen. The United States encouraged these developments by offering Israel a five-year guarantee that it would sell Israel oil if it could not purchase any elsewhere. This convinced Israel to relinquish Sinai's oil fields.[98] In 1977, the Gulf states began transporting oil to Europe through the Sumed pipeline.

The Iranian Revolution soon tested whether this US commitment to Israel's energy security would hold. In 1979, Iran ended oil shipments to Israel. Shortly before the Israeli-Egyptian peace treaty was signed, Israeli Prime Minister Menachem Begin had told US President Jimmy Carter that it was "a matter of life and death" that Egypt commit to supplying Israel with roughly 40 percent of the oil it needed.[99] The Egyptians, however, would not commit to such an amount, and the treaty simply stated Israel could bid for Egyptian oil like other countries.[100] In response, the Carter administration extended the 1975 US guarantee of Israel's oil supply by 15 years, giving Jerusalem the confidence needed to finalize the peace agreement.[101]

Thus, by the 1980s, Israel was no longer either an energy producer or a transit state. By 1984, two years after its withdrawal from the Sinai Peninsula, Israel purchased 32 percent of its oil from Egypt, 40 percent from Mexico, 9 percent from Norway, and the remainder from spot markets (exchanges where oil is purchased with cash for immediate delivery).[102] Tipline largely ceased transporting oil for export other than occasional excess volumes of Egyptian crude. On the Golan Heights, Israel still allowed Tapline to transport Saudi oil, but competition from supertankers, the reopened Suez Canal, and sabotage by Palestinian militants sharply reduced the amount of oil Tapline carried, leading its parent company to abandon its Syrian and Lebanese facilities in 1982.[103] Israel, cut off from the Middle East's most abundant energy sources, remained dependent on the United States, the ultimate guarantor of its energy security.

The Israeli dream of providing an intercontinental route for other types of goods likewise faded after the Suez Canal reopened. In 1974, Israeli Transportation Minister Gad Ya'acobi predicted that unless Israel built a railway connecting Eilat to northern Israel, the Red Sea port would fade into oblivion if ships could go through the canal again.[104] After the peace treaty with Egypt, Eilat's prospects seemed so dire that the Israeli Government subsidized the cost of shipping containers through it and granted a value-added tax exemption to importers who used the port.[105] It helped, but not much. By 1987, almost 200 times as many containers passed annually through the Suez Canal as were trucked by Kedem Land Bridge between Eilat and the Mediterranean. It cost four times as much to move a container between Ashdod and Eilat as through the canal, because containers had to be unloaded from ships, reloaded onto trucks, and then unloaded and reloaded again. A container that moved along the Israel route also typically took four to six days longer to move from the Mediterranean to the Red Sea.[106]

By 1990, one Zim shipping manager complained that the Israeli Government had completely lost interest in developing Eilat for anything other than tourism. Plans for a railway and to enlarge Eilat's port languished. As of 1990, Eilat's population numbered just 25,000, compared with 60,000 in Jordan's neighboring Aqaba port, which boomed thanks to commerce spurred by the Iran-Iraq war.[107] Like Tipline, Eilat's future now hinged on peace with additional Arab states, an end to the Arab economic boycott, and trade with the Arab

Gulf states. Only trade with the Gulf states, argued one Israeli transportation expert, could provide Eilat with the 2.5 million tons of cargo per year required to justify enlarging its port and connecting it to a railway.[108]

From Suez Bypass to Hormuz Bypass

Although peace with Egypt and the Iranian Revolution may have forced Israel to temporarily shelve its efforts to become a transit state, these developments also spurred Arab Gulf state oil producers to use the Red Sea to bypass the Strait of Hormuz—a trend Israeli officials thought could work to their benefit. After the Iran-Iraq war began in September 1980, Saudi Arabia constructed two new pipelines to circumvent the Strait of Hormuz—where Iran could threaten Arab tanker traffic—and Bab al-Mandab, which was flanked by pro-Soviet regimes in South Yemen and Ethiopia.[109] The East-West Crude Oil line (Petroline) and the Natural Gas Liquids (NGL) line, both completed by 1982, connected oil and gas fields in the Saudi Kingdom's Eastern Province to the port of Yanbu on the Red Sea.[110] Iraq built its own pipeline to the Red Sea through Saudi Arabia in 1985 after Iran attacked Iraq's Persian Gulf oil terminals and tankers and Tehran's ally Syria closed the Kirkuk-Baniyas pipeline.[111]

In the short term, neither Iraq nor Saudi Arabia saw Israel as a partner in bypassing the Iranian threat to their energy shipments. Saudi Prince Abdullah, for example, described Israel in 1983 as the greatest threat to Saudi efforts to develop Red Sea oil ports. Jerusalem, he claimed, wanted to blackmail Riyadh into providing Israel with petroleum. "The Israelis ask why they should import refined petroleum products from Rotterdam when they can get them cheaper from Yanbu," he alleged.[112] Although no available evidence shows that Israel attempted to coerce Saudi Arabia in this way, Jerusalem did try to extract gains from Iraq's pursuit of a Red Sea oil outlet. In December 1983, US Special Envoy Donald Rumsfeld discussed building an Iraqi pipeline through Jordan to Aqaba with Iraqi President Saddam Hussein, who wanted a US promise that Israel would not attack such a pipeline if it were built.[113] Soon after, however, Israeli Prime Minister Yitzhak Shamir offered the United States a counterproposal: rather than build a new pipeline through Jordan, Iraq could fix and reopen the Kirkuk-Haifa pipeline.[§] [114] When Rumsfeld brought the proposal to Iraqi Foreign Minister Tariq Aziz, Aziz blanched and said he would be executed if he even mentioned it to Saddam.[115] Discussion of the Aqaba pipeline dragged on through the end of 1985 when the Iraqi Government and potential partner companies appeared to have lost interest (Fig. 2).

Yet Israeli-Iraqi contacts did not end. A critical mass of Israeli intelligence officers and senior officials believed the Iraqi regime's growing dependence on the United States and Gulf states offered a diplomatic opening and wanted to test Saddam again.[116] In 1987, Israeli Energy Minister Moshe Shahal, while trying to arrange a secret meeting between Saddam and Defense Minister Yitzhak Rabin, reportedly also offered

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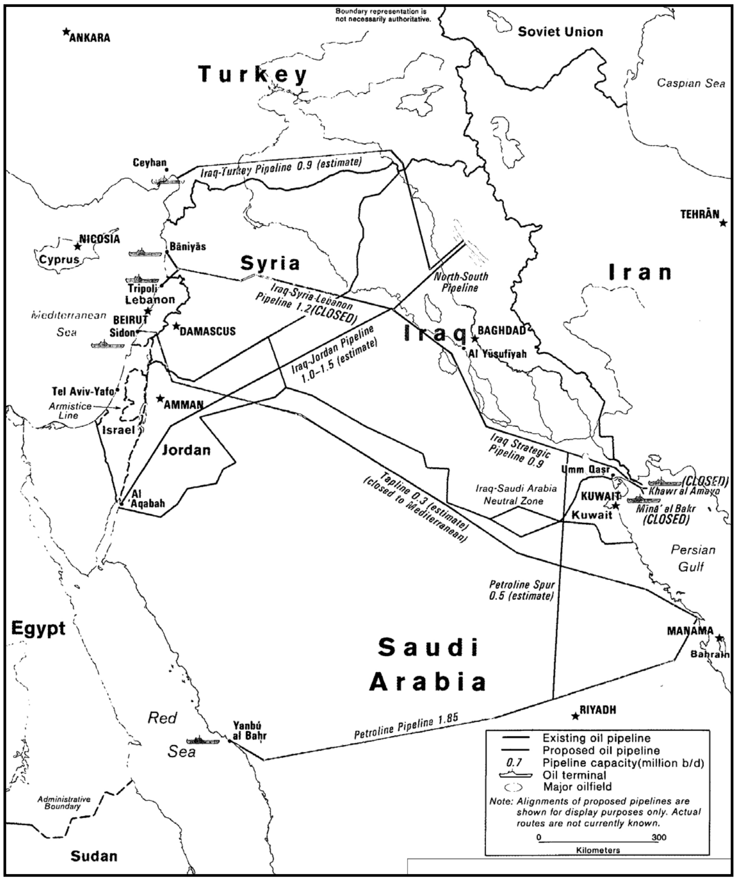
§ Howard Teicher and Gayle Radley Teicher identify Tapline, rather than the Kirkuk-Haifa pipeline, as the object of the Israeli offer. Other accounts of these discussions indicate that Israeli diplomat Hanan Bar-On raised the option of Iraq using portions of Tapline's infrastructure because of the cost of repairing the Kirkuk-Haifa pipeline. It is unclear, however, which version of the plan Rumsfeld ultimately presented to Aziz. See Howard Teicher and Gayle Radley Teicher, *Twin Pillars to Desert Storm: America's Flawed Vision in the Middle East from Nixon to Bush* (William Morrow and Company, 1993), 297–99.

Figure 2. Away from Hormuz, Toward Israel? Notional and Existing Iraqi and Saudi Pipelines, 1984

Major Existing and Proposed Middle East Oil Pipelines



Source: CIA, "Iraq: An Economy Under Siege," January 1984.

to link Iraq's pipeline network with Tapline, which could be connected to Haifa through the Golan Heights.[117] Even though Shahal's proposal went nowhere, the efforts by Iraq and Saudi Arabia to bypass the Strait of Hormuz boded well for Israel. The more dependent Arab states became on the Red Sea for transporting energy or other goods, the greater the odds they might seek a practical compromise with Israel. By the early 1990s, the end of the Cold War, Operation Desert Storm, and the Israeli-Palestinian peace process all created opportunities for Israel to act as an economic bridge between the Red Sea and the Mediterranean.

Oil, Gas, and Oslo

Both Yitzhak Rabin and Shimon Peres, who served as Israel's prime ministers from 1992 to 1996, believed they had a unique, time-limited opportunity to achieve peace with neighboring Arab states and the Palestine Liberation Organization (PLO). The Soviet Union's collapse meant Syria—the most threatening of Israel's immediate neighbors—no longer had a superpower patron. Iran and Iraq, Jerusalem's most implacable enemies, were hobbled by years of war and hemmed in by a strengthened US military presence in the Gulf. Low oil prices and the Gulf states' extreme dependence on US military power constrained their willingness to flout Washington's priorities. Rabin and Peres viewed these as optimal circumstances in which to normalize relations with Jordan, Lebanon, and Syria and disentangle Israel from the West Bank and Gaza Strip.[118]

Because Arab states traded little with each other and seemed unlikely to import significant quantities of Israeli high-tech goods, few Israelis expected to accrue major profits from peace. "The potential for trade with the Middle East is not great," admitted Israeli Deputy Foreign Minister Yossi Beilin in 1995.[119] Dan Gillerman, who headed Israel's Chambers of Commerce, assumed the peace dividend would come largely from multinational corporations that had avoided Israel because of the Arab boycott.[120] Ending secondary and tertiary sanctions by Arab countries would allow Jerusalem to fully capitalize on its free trade agreements with the United States and the European Union (EU) and attract foreign investment, particularly in the high-tech sector. Moreover, because businesses usually avoid conflict-prone environments, the Israelis rightly assumed that any move toward regional integration would encourage foreign companies to invest in the Middle East.[121] In 1994, foreign direct investment in Israel amounted to $442 million per year. Six years later, it had reached $8.05 billion, in large part because Israel had signed a peace treaty with Jordan and the Gulf Cooperation Council (GCC) states had agreed to end their secondary and tertiary boycotts of Jerusalem.[122] A series of economic summits—Casablanca (1994), Amman (1995), Cairo (1996), and Doha (1997)—allowed Arab and Israeli elites to mingle and project an image of a more business-friendly Middle East, even though they largely shied away from trading with one another.

The areas where Israel did hope for economic breakthroughs with the Arab states, however, were energy and transshipment. The prospect of regional peace seemingly offered Israel its best chance since 1979 to secure oil and natural gas from nearby countries and to transship energy supplies to Europe. Israeli leaders had once linked such ideas to containing Nasserism; now, they tied them to combating Iran. *The New Middle East,* Peres's 1993 manifesto on regional integration, was quite explicit on this point.

> "Two wars have broken out because of attempts to close off the Strait of Hormuz. The Saudi Arabians directed most of their oil pipelines toward the Persian Gulf until a bitter truth was revealed: until the Strait of Hormuz is no longer subject to the vagaries of Iranian and Iraqi rulers: the Persian Gulf will know no peace or security, equanimity or stability."

According to Peres, the solution to the Hormuz problem was to recenter regional trade flows on the Red Sea, where Israel and its neighbors could "lay long roads along its beaches, dig tunnels for transporting water, lay oil and gas pipelines, connect electrical and communication networks."[123] Moshe Shahal, who served as energy minister during this period, predicted in 1994 that the Eilat-Ashkelon pipeline would transport oil from Bahrain, Iraq, Kuwait, and Saudi Arabia. Israel would operate a spot market for oil traders as in Rotterdam.[124]

This revived vision of Israel as a transit state, especially for energy, dominated Jerusalem's economic diplomacy while the center-left Labor Party led by Rabin and Peres was in power from 1992 to 1996 and even lingered into the early months of Binyamin "Bibi" Netanyahu's first premiership. Proposals prepared by the Israeli delegation to the Cairo Economic Summit in November 1996, for example, saw the Gulf and Levant as a trade and processing hub for Asia and Europe. The Israelis envisioned building new highways and railroads to connect ports and airports, reviving dormant pipelines and building new ones. They hoped to connect Saudi Arabia's Petroline from Yanbu to Eilat and to link Tapline to Haifa, making Israel a conduit for Saudi oil exports to Europe. Israel would also become a hub for Egyptian and Qatari natural gas. Egypt would build a gas pipeline through Israel to Turkey. Qatar could either pipe natural gas across Saudi Arabia and onward through Jordan and Israel or ship it to a terminal on the Gulf of Aqaba.[125]

Peres's vision of Israel as a transit state, while focused on the Gulf states, Egypt, and Jordan, did not necessarily exclude Iraq, whose oil exports had been choked off by international sanctions and pipeline closures since its 1990 invasion of Kuwait. Despite Iraq's harsh criticism of the Oslo Accords, many Israeli establishment figures thought Saddam might finally see the wisdom in making peace with Israel—allowing Iraq to rejoin the international community and, perhaps, the Kirkuk-Haifa pipeline to reopen.[126] A compromise with Iraq would also further isolate Iran and put added pressure on Syria, which Jerusalem found to be a stubborn interlocutor in peace negotiations. In June 1995, Rabin even sent Saddam a message through the Jordanian Government proposing that Rabin and Jordan's King Hussein jointly visit Baghdad. Although Saddam did not reject the idea outright, it evaporated after King Hussein publicly broke with Iraq that summer.[127]

Although Israel probably had few expectations of a breakthrough with Iraq, its leaders briefly had reason to believe that energy ties to the Gulf states, specifically Qatar, were within reach. In August 1993, even before the Oslo Accords were signed, Israeli officials began meeting with their Qatari counterparts to discuss purchasing natural gas from the Gulf emirate. At the time, Israel badly wanted to phase out oil and coal in its electricity sector. In January 1994, Peres met with Qatar's foreign minister in London and later announced they had discussed a natural gas supply agreement.[128]

Yet Egypt and Saudi Arabia were determined to undermine any Qatari-Israeli gas deal and largely succeeded even before Rabin's assassination in November 1995. It seems Riyadh and Cairo were motivated not so much by concern for the Palestinians, but by their own fears that Israeli-Qatari energy cooperation would undermine their respective positions in the regional energy landscape. For Saudi Arabia, Doha's pursuit of a gas deal with Israel was yet another annoying Qatari attempt to make foreign policy independent of the GCC. The Saudis, whose gas reserves were significantly smaller, were already wary of Doha's efforts to build influence by extending gas pipelines to other GCC states and had thwarted one such effort involving Kuwait in 1992.[129] Not surprisingly, Riyadh proclaimed that Jerusalem and Doha could not run any gas pipeline through Saudi territory.[130]

In theory, Saudi opposition to a Qatar-Israel pipeline left open the option of building a terminal for liquified natural gas (LNG) shipments in Eilat. Perhaps Qatari gas could even be piped to Ashkelon and shipped to Europe. Yet Egypt felt even more strongly threatened by any Israeli-Qatari gas deal. Any such agreement potentially encroached on Cairo's plans to export Egypt's natural gas, significant quantities of which were discovered during this period. Between 1990 and 2004, Egypt's estimated natural gas reserves quintupled from 379 to 1,859 billion cubic meters (bcm).[131] Although high domestic demand prevented Cairo from immediately exporting any gas, the Egyptian Government was already eyeing prospective markets in Israel, the Palestinian territories, Jordan, Lebanon, Syria, Turkey, and Europe.[132]

By indicating its interest in buying Egyptian gas, Israel probably made Cairo even more determined to fend off competing suppliers. Not long after the Oslo Accords were signed, Nimrod Novick, a former adviser to Peres and the vice president of Merhav, an infrastructure and development firm, had contacted Egypt's ambassador in Tel Aviv and proposed that the two countries "reap the fruits of peace" by pursuing joint economic projects.[133] Merhav was specifically interested in helping Egypt finance and construct an oil refinery near Alexandria and a gas pipeline to Israel. Qatari gas could conceivably derail this pipeline project.

The Egyptians also feared what Israeli-Gulf energy deals might mean for the Sumed pipeline and the Suez Canal. In 1994, Muhammad 'Izzat 'Adil, the chairman of the Suez Canal Authority, warned that if Israel used Tipline to transport Saudi oil, it would reduce the revenue Egypt earned from Sumed and the Canal. ʿAdil likewise worried that if Qatar exported gas to Europe through Ashkelon, it would deprive Egypt of transit fees from LNG tankers that would otherwise have to sail through the Suez Canal.[134]

Thus, the Egyptians did everything possible to thwart a Qatar-Israel gas deal. In early October 1994, the Suez Canal Authority offered Qatar a 35 percent discount on transit fees for 25 years if they promised to use only the Suez Canal for gas exports to Europe. "Relations with Israel should not be at the expense of Suez Canal earnings," ʿAdil stated.[135] In April 1995, the Qataris agreed to Egypt's offer.[136] Any Qatari-Israeli gas deal would thus be limited to the Israeli market and perhaps also the Palestinian territories and Jordan. Israel would not become the energy hub Peres and his acolytes had envisioned. And with a limited number of potential gas customers, the entire project probably would be less attractive to international energy companies.

Neither Doha nor Jerusalem wanted to give up on the idea of a gas deal, and three-way negotiations among Israel, Qatar, and US energy company Enron continued into the fall of 1995. At the Amman Economic Summit in October 1995, the two countries signed memorandums of understanding (MOU) with Enron that purportedly committed Israel to buy Qatari gas.[137] But, as Israeli Energy Minister Gonen Segev later admitted, the MOUs lacked substance and were signed primarily for Peres's political benefit. The Israeli energy and finance ministries were convinced that Egypt could offer Israel gas at a significantly lower price, also allowing Israel to avoid the environmental risks posed by an LNG terminal in Eilat or Aqaba.[138] The Israeli-Qatari negotiations did not end until after Netanyahu was elected prime minister in May 1996 and formed a government led by his right-wing Likud party. In 1997, Minister of National Infrastructures Ariel Sharon announced that Qatar was just one of several possible gas suppliers Israel might consider.[139] But in practice, Saudi Arabia and Egypt had killed the Israeli-Qatari gas deal even before the Israeli right returned to power.

Indeed, Egypt ultimately proved to be the major beneficiary of Qatar's absence when Levant energy diplomacy resumed in earnest in 1998. That October, Israel and the PLO signed the Wye River MOU, transferring additional portions of the West Bank to Palestinian control. Almost immediately afterward, Egypt began negotiating with Israel and Jordan over two separate gas pipelines that would connect them with its Nile Delta gas fields.[140] This bifurcated arrangement was designed to give Cairo long-term control of the Jordanian gas market and later extend a pipeline to Syria and Lebanon, perhaps even Turkey and European countries, without involving Israel. Yet Israel would, nonetheless, depend on Egypt for energy.

By 2003, Egypt began pumping gas to Aqaba. It later extended its so-called Arab Gas Pipeline into northern Jordan, Syria, and Lebanon.[141] Cairo, however, took its time with Israel, waiting until the end of the second Palestinian intifada in 2005 to sign an MOU committing its East Mediterranean Gas consortium to supply the Israel Electric Company with 1.7 bcm of gas per year for 15 years. Not until 2008 did Egyptian gas begin to flow into Israel.[142]

Amid this extended Israel-Egypt wrangling, two other gas supply options appeared. In 1999 and 2000, the Yam Tethys group, a partnership between Israel's Delek Group and the US company Noble Energy, discovered two natural gas fields about 15 miles offshore from Ashdod and Ashkelon, dubbed Noa and

Mari-B.[143] Together, Noa and Mari-B contained 33 bcm of gas, enough to meet a significant portion of Israel's growing demand for energy, but not to serve as a comprehensive or long-term supply source. Although the group would supply Israel with gas beginning in 2004, its fields provided only about 2.8 bcm per year, barely more than the amount Egypt agreed to provide, and their output began declining by 2010.[144] Throughout the early 2000s, Israeli officials and businesspeople spoke of the need for a so-called third supplier—a foreign party that could help reduce Israel's seemingly inevitable dependence on Egypt.

In theory, the third supplier could have been the Palestinian Authority (PA). In 1999, Israeli Prime Minister Ehud Barak agreed to permit a consortium led by British Gas to explore the waters adjacent to the Gaza Strip. In September 2000, PA President Yasir Arafat circled the consortium's gas drilling platform in a fishing boat to celebrate the discovery of a 33 bcm field, which he proclaimed a "gift from God."[145] Almost immediately, however, the second Palestinian intifada began, placing the development of the field, dubbed Gaza Marine, in doubt. Israeli Prime Minister Ariel Sharon, who succeeded Barak in 2001, was reluctant to buy Palestinian gas, arguing that he did not want to give Arafat money to fund terrorism.[146] The Palestinian market for Gaza Marine's gas was too small to be commercially viable without another buyer, so British Gas tried to convince Egypt to export Gaza Marine's surplus gas through its Idku LNG terminal on the Mediterranean. The company eventually returned to negotiating with the Israelis in 2006, but by 2007, Hamas had seized control of the Gaza Strip, prompting Israel to blockade its coastline, which rendered gas extraction impossible.[147]

Thus in 2008, 15 years after the signing of the Oslo Accords, Israel had not transformed itself into the kind of regional economic hub that Peres envisioned in *The New Middle East.* The Gulf states' oil and gas resources remained out of reach, and Israel stood outside the Arab Gas Pipeline, the major Levant energy transport project of the period. Israel's grudging reliance on Egyptian oil during the 1980s was replaced by its dependence on Egyptian natural gas, which by 2009 accounted for about 40 percent of Israel's gas consumption.[148] Nonetheless, Israel did make strides toward diversifying its sources of energy, enhancing its place in regional trade networks, and countering the leverage Iran derived from the Strait of Hormuz, even after negotiations with the PLO and Syria broke down in 2000. This progress, however, hinged more on ties to Turkey, Russia, and the Central Asian states than to Arab countries and the PA.

The Baku-Tbilisi-Ceyhan Pipeline Battle

In the 1990s, the newly independent states bordering the Caspian Sea appeared as an unexplored frontier to the US and European governments and international oil companies. No longer subject to Soviet rule and home to huge, largely untapped oil and natural gas reserves, Azerbaijan, Kazakhstan, and Turkmenistan presented enormous opportunities to outsiders capable of extracting, transporting, and marketing their energy resources. At the same time, US and European officials feared that because all existing pipelines in the landlocked region ran through Russian territory, Moscow would effectively control these countries' oil and gas transit. Washington also feared that European governments and international oil companies might rather transport Central Asian oil through Iran to the Persian Gulf—the shortest route to markets and, for European governments, possibly preferable to Russian-controlled pipelines. Indeed, the oil companies did not have to build pipelines from Central Asia to the Persian Gulf if they wanted to partner with Iran on energy transit. Rather, Iran could import Central Asian oil or gas for domestic use and then export equivalent amounts from its own reserves.

During the decade, Europe, Iran, Russia, Turkey, the United States, and various international oil companies dueled over the pipeline routes that oil from Azerbaijan and Kazakhstan should take. Russia pressed for oil companies active in Azerbaijan to continue using a pipeline from Baku to Novorossiysk, Russia's main Black Sea port, and to connect Kazakhstan's Tengiz field to Novorossiysk with a new pipeline to be built through southern Russia. Turkey, with US backing, pushed for building the Baku-Tbilisi-Ceyhan (BTC) pipeline, which would stretch from Azerbaijan through Georgia to Ceyhan in eastern Turkey, and was intended to reduce European and Turkish energy dependence on Russia without involving Iran. The Turks also wanted to earn revenue from transit fees and reduce the number of oil tankers that sailed from the Black Sea to the Mediterranean through the narrow Bosphorus Straits, where there was always a risk of a devastating oil spill.[149]

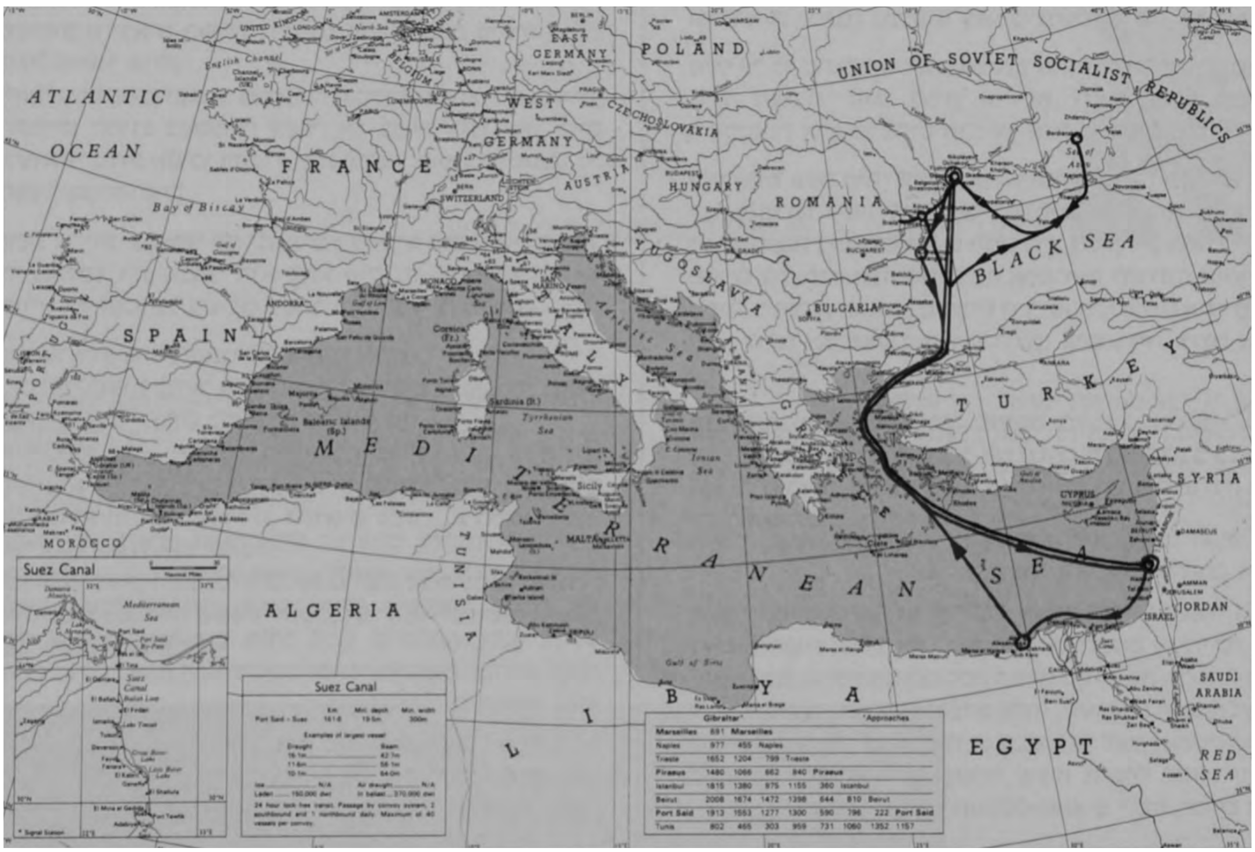
The European governments and international oil companies initially found the Iran option tempting because the BTC route would stretch more than 1,000 miles through heavily mountainous terrain and three countries riven by ethnic conflict. The companies were also eager to do more business with the Islamic Republic. By 1994, US oil firms had become Iran's largest customers of oil, selling $4 billion of Iranian oil annually to third countries.[150]

Unsurprisingly, Israel opposed any solution to the Caspian energy problem that would enrich Iran or give it more control over the movement of other countries' oil and gas. Pro-Israeli organizations in the United States lobbied hard for executive orders barring US investment in the Iranian oil sector and for the Iran-Libya Sanctions Act of 1996, which permitted a US president to sanction any non-US company that invested more than $40 million in Iran.[151] Although European opposition led President Bill Clinton's administration to avoid sanctioning ventures that involved solely non-US firms, the consortia involved in Azerbaijan and Kazakhstan included US companies, contributing to the demise of the Iranian pipeline option for Caspian Sea oil by the late 1990s.[152]

Yet, for Israel, the choice to support the BTC in the face of Russian opposition was not so simple. Israel's leaders had been thrilled to establish relations with the Soviet Union in October 1991, a quarter century after the USSR broke relations with Israel following the Six-Day War, and with the Russian Federation and other Soviet successor states shortly thereafter. The Israelis did not want US-Russian relations to deteriorate over Caspian oil or to drive Moscow closer to hostile Arab states or Iran. The Israelis were particularly wary of angering Russian nationalist politicians predisposed to see Israel as a spearhead for Western agendas in Central Asia.[153] A few right-wing Israeli politicians, notably Sharon even viewed closer relations with Moscow as a way to diversify Israel's sources of foreign support and gain more autonomy from the United States.[154]

Moreover, Israel's leaders were eager to buy both Central Asian *and* Russian oil to diversify Israel's sources of supply. After all, the Soviet Union had supplied oil to Israel until 1957. It made sense for Israel to import oil from as many Soviet successor states as possible so that it would not have to depend on faraway fields in Europe or Latin America, the unpredictable spot market, or pro-Palestinian Egypt. Perhaps Israel could also become a transit state for Russian and Central Asian oil exports to South and East Asia, where demand for oil was growing faster than anywhere else. After all, Israel was already involved in shipping from the former Soviet republics. Just months before the USSR collapsed, an Israeli trade delegation visited Moscow to discuss transshipping goods from the Soviet republics through Israel. “Our geographic closeness to Black Sea ports and our ability to maintain a focal point in Haifa gives us an advantage over other companies,” said a chief executive officer (CEO) from Zim shortly afterward.[155] By 1995, Zim was transporting 80 percent of Odessa’s container traffic.[156] Thanks partly to new opportunities in the Mediterranean and Black Sea ports of former communist states, it had grown into the world’s 11th-largest container-shipping company (Fig. 3).[157]

Figure 3. New Zim Shipping Lines to the Black Sea Region



Source: Zim, April 1992.

On the other hand, the BTC pipeline route served Israel’s interests better than Russia’s proposed alternatives, and not just because it marginalized Iran. With the Cold War ended, Israel had a strong interest in showing the United States that it could serve Washington’s strategic objectives in new contexts. Israeli leaders, particularly on the right, were eager to market themselves as a partner in combating the spread of Islamic fundamentalism in newly independent Central Asian countries, just as they had presented Israel as a bulwark against Soviet and Nasserist influence in sub-Saharan Africa during the 1950s and 1960s. In

1992, even before the Oslo Accords were signed, Prime Minister Shamir's Likud-led government began lobbying the administration of President George H. W. Bush to partner with it in sending business delegations and technical advisers to Central Asian states.[158]

Rabin and Peres expanded upon Shamir's diplomacy in Central Asia, but Netanyahu's government was particularly inclined to emphasize its importance, partly to highlight common ground with Washington as US-Israeli relations were otherwise tense because of the Likud-led government's aversion to territorial concessions. Stalled peace talks with the Palestinians and Syria also led Netanyahu's government to give priority to relations with Turkey, which had drawn closer to Jerusalem and was trying to show that it could orient post-Soviet states toward the West.[159] Backing the BTC pipeline would only strengthen an Israel-Turkey entente.

Geographically, it also made sense for Israel to favor the BTC project over Russia's Black Sea-focused proposals, even though the share of oil that Israel imported from Russia had reached between 30 percent and 50 percent of Israel's oil purchases before the pipeline was completed in 2006.[¶] Ceyhan was much closer to Israel than Novorossiysk and could accommodate large tankers that could not easily sail through the Bosphorus. In the long run, Israel might even link its Haifa refinery to Ceyhan's oil terminals by pipeline. It was also possible that Ceyhan might eventually serve as an outlet for natural gas from Azerbaijan and Turkmenistan, where Merhav—the same Peres-associated firm that dominated Israel's energy diplomacy with Egypt—had established a significant foothold. Merhav CEO Yossi Maiman even appeared alongside Turkmenistan President Saparmurad Niyazov in Niyazov's heavily choreographed television appearances.[160] "Maiman is the Israeli-Turkmenistan relationship," one senior Israeli diplomat admitted.[161] In 1996, Merhav secured a $500 million contract to upgrade the massive Turkmenbashi oil refinery and was discussing financing a Trans-Caspian pipeline that would bring gas from Azerbaijan and Turkmenistan to Turkey and potentially onward to Israel.[162]

Thus, under Netanyahu, Israel emerged as a major supporter of the BTC project. The prime minister publicly declared his support for the pipeline during an August 1997 visit to Azerbaijan.[163] Shortly after, Azerbaijani President Haydar Aliyev visited the United States and met with the leaders of pro-Israeli organizations, a dialogue the Netanyahu government almost certainly facilitated. These organizations subsequently helped lobby the US Congress to support the BTC and Silk Road Strategy Act, which called for lifting the sanctions on investment in Azerbaijan that Congress imposed in 1991, largely at the behest of pro-Armenian groups.[164]

At the same time, Netanyahu and Sharon did not want to rule out expanding Israel's energy ties to Russia. Neither had any reservations about continuing to buy Russian oil, particularly because the BTC had not yet been built, and both were willing to court Russia as a gas supplier. Although Netanyahu expressed interest in Russian gas, mostly to convince Moscow to stop arming Iran and hostile Arab states, Sharon

¶ For national security reasons, Israel does not regularly publish data on the sources of its oil imports, but Israeli press outlets periodically obtain country-specific figures. In 2005, just before Russian President Vladimir Putin visited Israel, the Israeli business paper *Globes* reported that Israel had imported $1.5 billion in gas and $4.5 billion in crude oil and refined petroleum products from Russia the previous year. Hadas Manor, "Likrat bikur Putin: Ha-sehar im Russiya histakem be-550 milyon dollar," *Globes,* April 26, 2005, https://www.globes.co.il/news/article.aspx?did=908171.

seems to have hoped to lessen Israel's dependence on Arab suppliers and perhaps serve his personal interests. Both Likud politicians visited Moscow in 1997 and gave their hosts very different messages. In March, Netanyahu indicated Israel would buy Russian gas if Moscow froze arms sales and nuclear cooperation with Iran. In June, Sharon arrived in Moscow and told his hosts that Israel wanted to buy oil, natural gas, and coal from Russia. He proposed that Russian companies build highways, railroads, artificial islands for desalination plants, and a new oil port for refined products in Israel. In the future, Sharon suggested, Russia might even own and operate refineries in Israel.[165] It is unlikely Netanyahu approved all these proposals, and a few months later, the prime minister indicated Israel would freeze economic cooperation with Russia if it did not stop selling weapons to Tehran. Sharon then stated he was conducting business as usual with Russia, "including the contacts regarding gas imports."[166]

By this time, however, the entire Russian gas issue had devolved into scandal and police investigations. The Israeli press reported that Avigdor Liberman, director-general of Netanyahu's office, had planned to resign so he could work for a new Israeli company partnering with the Russian gas firm Gazprom. Allegations of bribery likewise swirled around Sharon, who had apparently invited a businessman, who was also a key witness in a lawsuit he had filed, to accompany him to Moscow.[167] Neither Liberman nor Sharon were indicted over these allegations. Still, the scandals permitted Netanyahu to push the Russian gas issue to the backburner, where it remained until 2001 when Sharon was elected prime minister and appointed Liberman minister of National Infrastructures, a portfolio that included energy.[168]

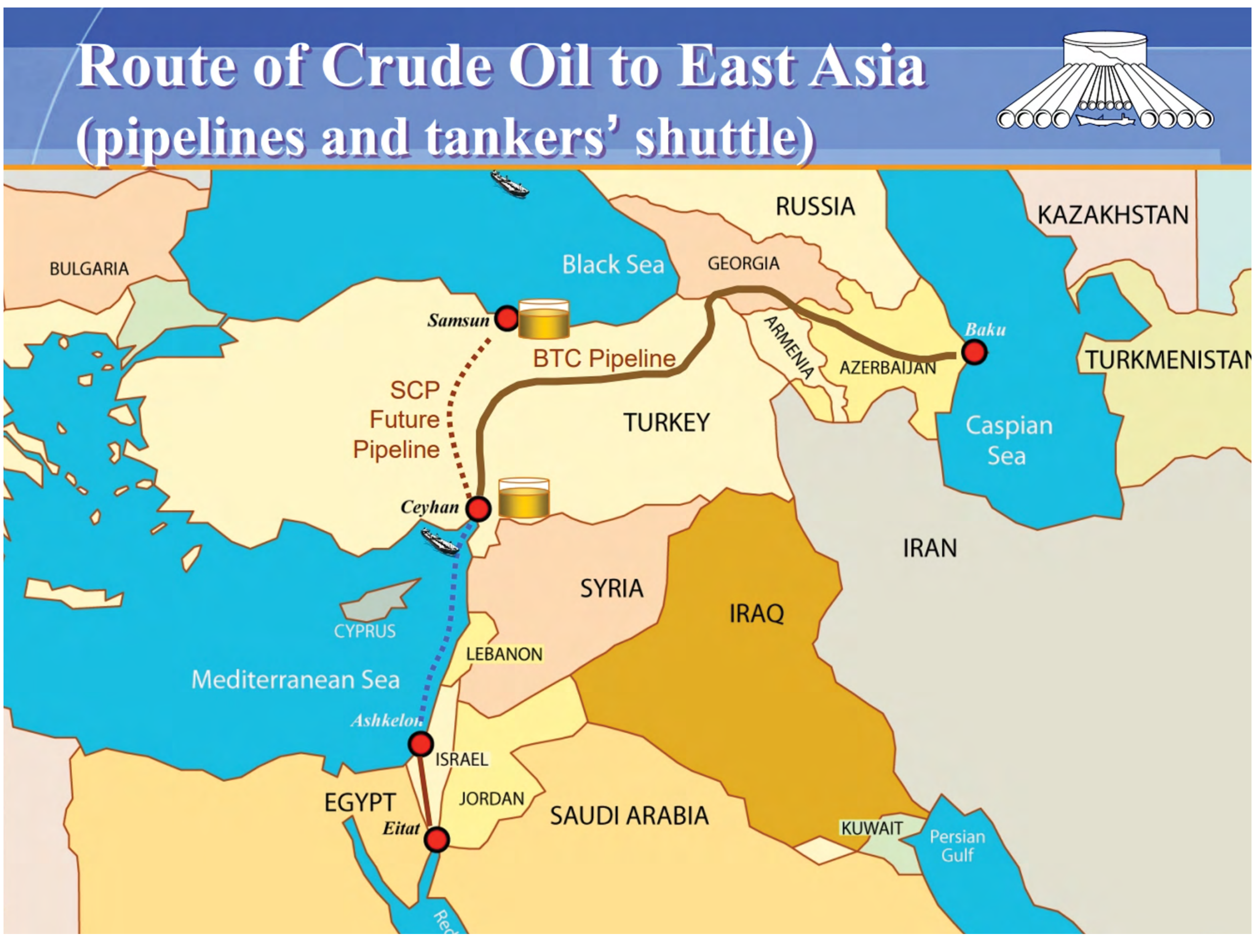
Russian and Turkish Dependence Dilemmas

During the premierships of Sharon and his successor Ehud Olmert, Israel's need for gas grew increasingly urgent, yet the prospect of importing Gulf oil and gas receded. The US invasion of Iraq briefly inspired hope that Israel might purchase and transport Iraqi oil. In April 2003, Netanyahu, now finance minister, anticipated the revival of the Kirkuk-Haifa pipeline and the refining of Iraqi oil in Haifa,[169] but his optimism proved ephemeral, partly because Turkey saw reopening the Kirkuk-Haifa route as a threat to its Kirkuk-Ceyhan pipeline.[170] Russian and Central Asian energy thus remained Israel's principal alternatives to Egypt and the still-notional possibility of gas from Gaza Marine.

Because Israel received its oil by ship, not by pipeline, and Western oil companies controlled the BTC project, the Israelis did not fear becoming overdependent on Russian and Central Asian oil or Turkey's role in transporting it. By 2002, Israel was purchasing 81 percent of its oil from Russia and Soviet successor states.[171] Indeed, the Israeli establishment broadly agreed that Jerusalem should transship Central Asian and Russian oil, not just consume it. In 2002, the Eilat-Ashkelon Pipeline Company (later renamed the Europe-Asia Pipeline Company) announced plans to revamp Tipline to accommodate reverse flows from the Mediterranean to the Red Sea. This project, completed in November 2003, allowed Russia and Central Asian oil producers to ship oil to customers in South and East Asia without using the Suez Canal,[172] which could only accommodate 135,000-ton tankers, far less than the 300,000- to 500,000-ton crude carriers the Ashkelon and Eilat ports could handle. The EAPC management argued that customers could save as much as 10 percent in shipping costs per ton of oil by using Tipline. Russian customers who used smaller tankers to move oil through the Bosphorus could also save money because they could deliver oil to EAPC's storage facilities on the Mediterranean, which could hold up to 2.5 million barrels of oil, then use large tankers for the Red Sea portion of their journeys.[173]

At the time, it also seemed likely Russia that would support a pipeline to transport Russian and Kazakh oil from Samsun in northern Turkey to Ceyhan, which would have increased the volume of crude available to Israel for transshipment. At an energy conference in Haifa in 2006, Kazakhstan's Deputy Prime Minister and a representative of the Italian energy giant ENI, which planned to participate in the Samsun-Ceyhan project, promoted Israel as a future regional energy hub. The Kazakh official even expressed interest in purchasing a stake in Haifa's oil refinery.[174] In January 2008, EAPC announced plans to build storage facilities in southern Turkey to hold oil for shipment to Ashkelon, then onward to India's gigantic Jamnagar refinery and other destinations in Asia via Eilat (Fig. 4).[175]

Figure 4. Tipline Pivots to Asia, 2008



Source: EAPC Investor Presentation, Herzliya Conference, 2008.

By reviving Tipline and reorienting it toward Asia, Israel could earn transit fees and deepen relations with Russia, Turkey, and the Central Asian producers. But by reversing the flow of the pipeline, Israel also intended to pit Russia and the Central Asian states against OPEC, especially Iran. From 1999 until the global financial crisis in 2008, oil producers benefited from high crude prices, but Russia—not bound by the cartel's quotas—sought greater market share at OPEC's expense.[176] Israel hoped to help Russia and the Central Asian states access Asian markets and undercut OPEC's efforts to restrict global oil output. "Israel will serve as a bridge between Europe and Asia (former Soviet Union states) and East Asia, thereby reducing consumers' dependence on Persian Gulf sources," stated EAPC President Oren Shachor in January 2008.[177]

The question was whether Israel should seek to integrate itself more deeply into a Russo-Mediterranean energy corridor, especially by importing Russian natural gas. From 2003 until 2009, Israel, Russia, and Turkey mulled the possibility of building an infrastructure corridor—called Medstream—from Ceyhan to Haifa that would include oil pipelines from Central Asia, Russia, and possibly Iraq, along with water, electricity, and fiber optic cables. Plans for Medstream primarily centered on Russian natural gas, calling for extending Gazprom's Blue Stream pipeline from Turkey to Israel.[178] Many Israelis, particularly Sharon, preferred buying gas from Russia over relying on the Palestinians and Gaza Marine. A pipeline from Turkey was also potentially cheaper than an LNG terminal, which would require land on Israel's crowded Mediterranean coastline and cost $2 billion more than an infrastructure corridor.[179] "The project will connect us to the energy systems of the post-Soviet states and the European electricity grid," proclaimed Minister of National Infrastructures Binyamin Ben-Eliezer in 2005. "We will be an energy island no more," he said.[180]

In 2001-2002, Gazprom also repeatedly expressed interest in exploring for natural gas in Israel's coastal waters.[181] In 2003, the company bid on a tender to build Israel's natural gas transmission network.[182] In 2005, Gazprom proposed building a $1.5 billion gas liquefication plant on Israel's coast to serve as an export terminal for Russian gas shipments to the United States[183]—promising preferential treatment for Israeli investors in infrastructure projects in Russia if its proposals were accepted.[184] Gazprom hired Amos Yaron, a former general and senior Defense Ministry official, as a lobbyist and identified well-connected Israeli businessmen as prospective business partners. In 2005, Gazprom enlisted mining magnate Beny Steinmitz to conduct a feasibility study of the infrastructure corridor to signal displeasure with the Israeli Government's slow decisionmaking and to underscore that Steinmitz was their local interlocutor of choice.[185]

Nor was Gazprom the only Russian firm interested in controlling Israeli energy assets. In 2002, a Russian company offered to buy the Eilat-Ashkelon pipeline, according to press reports.[186] In 2006, Russneft offered $400 million to buy Israel's state-owned Ashdod oil refinery, which the government had decided to privatize.[187] None of these Russian proposals came to fruition, almost certainly because of opposition from the United States and Israeli national security bureaucrats, who balked at doing business with Russian firms with close ties to hostile Arab states and Iran. They suspected these companies' intense interest in Israel's small energy sector stemmed from the Russian Government's desire for a foothold on the Mediterranean and for influence over the US-Israeli relationship.[188] In 2004, the Shin Bet warned an Israeli hired as a Gazprom consultant that his contacts, some supposedly working as diplomats at the Russian Embassy in Tel Aviv, were Russian intelligence officers using him for collection purposes.[189] In 2006, the Israeli Attorney General barred Russneft from bidding for Ashdod's oil refinery on security and public interest grounds—probably because Russneft also operated in hostile states.[190] Washington could not reasonably ask Israel not to buy gas from Russia, given that the United States had upped its own purchase of Russian energy products, but the US Department of State still warned the Israelis not to buy more than one-third of their natural gas from Moscow.[191] Even if Sharon tended to dismiss these warnings, other politicians did not. "Although Ariel Sharon was prepared to favorably consider [Gazprom's] entry to Israel, I objected," recalled Yosef Paritsky, who served as minister of National Infrastructures during 2003-2004 and feared Russian "political pressure."[192]

The Israelis also began to suspect that once they became dependent on piped Russian gas, Gazprom would hike its prices. Russia had briefly shut off gas to Ukraine in early 2006, ostensibly over a pricing dispute, and the Israelis did not want to face a similar predicament. Indeed, after British Gas broke off negotiations with Jerusalem over Gaza Marine in 2008, Gazprom abruptly indicated that it would raise the price of prospective gas sales to Israel to three times the price British Gas had offered.[193] When Russia drew Georgia into war in 2008, probably to derail plans for pipelines that would supply Europe with Central Asian gas, it also deprived Israel of a potential source of leverage against Gazprom's monopolistic behavior. It now seemed improbable that gas from Azerbaijan or Turkmenistan could be incorporated into plans for the infrastructure corridor.[194]

By 2008, Turkey was also becoming a problematic energy partner for Israel. In the 1990s, Turkish-Syrian hostility had brought Ankara and Jerusalem together, but since the Islamist Justice and Development Party (AKP) came to power in 2002, under the leadership of Recip Tayyip Erdogan, Turkey viewed Syria as a gateway to Arab markets and a potential source of natural gas. The AKP, enamored of the Palestinian cause and hostile to Turkey's historically pro-Israeli military leadership, also viewed the rise of Kurdish autonomy in Iraq—which Israel supported—as a threat.[195] Economics also played a role in Ankara's shift from Israel. Seeking to generate economic growth independent of the EU, which rejected Turkey's bid for membership in 2005, the AKP's foreign policy reflected the preferences of the Anatolian tigers—export-oriented, often Islamist-led businesses from the smaller cities of central Anatolia.[196] In 2004, Turkey signed an agreement to buy 2.5 bcm of Egyptian gas annually for its own consumption and another 2.6 bcm for export to Europe, through the Arab Gas Pipeline.[197] In 2007, Turkey and Syria signed a free trade agreement, more than doubling bilateral trade by 2010. The two countries also agreed to link their gas supply networks, create a joint oil company, and participate in the so-called "East Mediterranean Four" project, which aimed to integrate the economies of Jordan, Lebanon, Syria, and Turkey.[198]

As Turkey drew closer to the Arab world, the Turkish-Israeli entente of the 1990s unraveled. During Operation Cast Lead, Israel's 22-day conflict with Hamas in 2008-2009, Turkey openly sided with the Palestinian Islamist group. Talk of energy cooperation did not officially end until Ankara and Jerusalem broke off diplomatic relations in 2010, when Israeli commandos boarded the Turkish ship Mavi Marmara and killed nine activists who were seeking to break the blockade of the Gaza Strip. But by then, it was already clear that any Israeli gas supply arrangement involving Turkey would suffer from many of the same problems that plagued Israeli-Egyptian energy ties.

Not only did the downturn in Israeli-Turkish relations chill the prospects for the infrastructure corridor, but it also seems to have affected Israeli plans for transshipping oil to Asia through Tipline. Three very large crude oil carriers docked at the EAPC pipeline terminal in Eilat in 2010, but further activity was abandoned until 2014, when Netanyahu, who was again prime minister, apologized to Erdogan for Israel's actions during the Mavi Marmara incident.[199] It was clear by this point, however, that Israel could not stake its future on further integration into Eurasian energy networks.

Conclusion

By the second decade of the 21st century, Israel was certainly not the isolated, beleaguered state it had been in earlier years, and its place in the international energy system reflected this. It had steady oil supplies from Russia and Central Asia, modest quantities of its own natural gas, and just enough extra gas from Egypt to meet its near-term needs. Yet, it still lacked the gas needed to power its economy over the long term, let alone for export. Israel was also not shaping regional trade or energy flows in any significant way and was excluded from new projects such as the Arab Gas Pipeline. Despite the Oslo Accords, peace with Jordan and Egypt, and economic ties to post-Soviet states, Israel remained primarily an exporter of goods and services to Western Europe and the United States, rather than a transit state embedded in a regional system.

Energy Bridge in Troubled Waters, 2009-2020

Between 2009 and 2020, Israel's place in the Middle East's regional economy transformed. Although it still traded more with the United States and Europe, it made major strides toward integrating into regional commercial networks—partly because it produced natural gas and advanced technologies that its neighbors wanted to buy. But Israel's changing trade relationships also reflected changing geopolitics. The breakdown of states and the growth of Iranian power and radical Islamist movements across the Middle East made Israel an attractive alternative to established transit routes, while its natural gas reserves offered Jordan and Egypt greater stability. Aggressive Russian actions in Europe, especially after 2014, increased European interest in Eastern Mediterranean natural gas and provided a basis for improved Israeli relations with Cyprus, Egypt, and Greece. US war-weariness and the United States' increased energy independence forced Gulf Arab oil producers, who had taken US support for granted, to rebrand themselves as potential partners of Israel, which in turn marketed itself as a security guarantor for the Gulf. This strategic construct, developed by Netanyahu's governments and United Arab Emirates (UAE) and Saudi leaders during President Barack Obama's tenure, was fully embraced by President Donald Trump's first administration, culminating in the Abraham Accords in 2020.

Nonetheless, Israel's strategic breakthroughs came at a price, although not entirely apparent at the time. Netanyahu and other Israeli leaders took it for granted that Iran and its network of allies and proxies would oppose Israel's efforts to forge new economic and political ties. Yet they also hoped that they could navigate between the superpowers and that natural gas development would lead to rapprochement with Turkey. Instead, by 2020, relations with Ankara had deteriorated again, and the Gulf-Israeli and East Mediterranean networks pitted Israel against Russian and Chinese regional interests—even if relations between Jerusalem, Beijing, and Moscow remained fairly placid on the surface.

The Origins of Israeli-Gulf Convergence: The Energy-Logistic Dimension

In 2009, Prime Minister Netanyahu faced two central foreign policy questions: whether to authorize a preventive strike on Iran's nuclear facilities and whether to continue Olmert's efforts to negotiate a peace agreement with the Palestinians. The newly elected Obama made clear he would give priority to Israeli-Palestinian peace, which he saw as vital to stabilizing the Middle East and allowing the United States to reduce its involvement in the region after the Iraq war.[200] Through 2014, Netanyahu grudgingly played along with US-led peacemaking efforts. Yet he never really believed Palestinian President Mahmud Abbas would agree to the kind of peace most Israelis, and certainly his right-wing base, could accept. In any case, for Netanyahu and others on the Israeli right, the entire enterprise seemed like an exercise in futility, as long as Hamas controlled the Gaza Strip and was supported by others, including Iran, who opposed territorial compromise.

Netanyahu, however, was not entirely pessimistic about Israel's future in the Middle East. He believed that if Israel played for time, strengthened economically and militarily, and contained Iranian power, it could secure its place in the region on its own terms, which included resisting pressure for major concessions to the Palestinians. Underpinning Netanyahu's vision was his sense, shared by many other Israeli officials, that Gulf Arab leaders also worried about rising Iranian power and the Obama administration's proclaimed desire to pivot to Asia and away from the Middle East.[201] Netanyahu believed that shifts in Gulf leaders' threat perceptions and larger changes in the global economy and energy markets offered Israel a chance to establish itself as a crucial transit state linking Asia and Europe.

Indeed, by the time Netanyahu returned to the premiership in 2009, both the geostrategic and the economic basis for Gulf-Israeli rapprochement had begun to take shape. Beginning with Israel's 2006 war with the Lebanese Hizballah, clandestine contacts among Israel, Saudi Arabia, and UAE deepened. In March 2007, the Arab League readopted the so-called Arab Peace Initiative, a plan Saudi Arabia had proposed in 2002 that called on Arab states to normalize relations with Israel in exchange for full Israeli withdrawal from territories occupied in 1967. At a Saudi-orchestrated conference on inter-religious dialogue in New York in November 2008, Israeli President Peres publicly wished that Riyadh's King Abdullah would become the "prevailing voice of the whole region."[202]

Contacts with Qatar, which had previously served as Israel's main Gulf interlocutor, persisted. At a conference in Doha in 2008, Israeli Foreign Minister Tzipi Livni implored her Arab counterparts to confront Iran and press the Palestinians to make concessions for peace.[203] Israel's leaders were already concluding, however, that they should not base their Gulf strategy on Qatar, given the emirate's inclination to accommodate Iran, the anti-Israeli line of its satellite television network Al-Jazeera, and its support for Muslim Brotherhood-aligned movements, particularly Hamas. After Qatar compelled Israel to shutter its interest section in Doha over Operation Cast Lead against Hamas in 2008-2009, Jerusalem began to see the more staunchly anti-Iranian Saudis and Emiratis as its best potential partners in the Gulf.[204]

Economic complementarity also contributed to Israel's growing preference for ties to UAE and Saudi Arabia over Qatar. By the early 2000s, both Saudi Arabia and UAE were struggling to handle the growing volume of ships and cargo that visited their ports, leaving them at risk of being bypassed if they did not modernize.[205] They wanted to expand shipping to diversify their petroleum-dependent economies and capitalize on their location between Asia and Africa and Europe. Saudi Arabia's cultural conservatism and centralization slowed progress, as did its enormous land mass, which required giant internal infrastructure projects in addition to the port modernization.[206] In UAE, change came faster, especially in Dubai, where the ruling Al Maktoum family had established the Jebel Ali port as a free trade zone and manufacturing district in 1985 after years of slumping oil revenues. In 1999, the tiny emirate began acquiring ports abroad through Dubai Ports International, renamed DP World after a merger in 2005.[207] In 2006-2007, Abu Dhabi, the largest and most oil-rich of the UAE's principalities, followed Dubai's example, establishing the Abu Dhabi Ports and Abu Dhabi Terminals companies, adopting sweeping plans for post-oil economic transformation, and breaking ground on the Khalifa port and an adjacent industrial zone, which it completed in 2012.[208]

By the time Netanyahu returned as prime minister in 2009, Israelis and Emiratis had begun to pragmatically cooperate in the diamond and shipping industries, despite lacking diplomatic ties. Israel's diamond industry had flourished in the 1980s and 1990s but declined in the early 2000s because of competition from India.[209] So, Israeli firms shifted from manufacturing to trading. They sought to do business in the Dubai Diamond Exchange marketplace, which could connect them with South and East Asian customers, in addition to the growing Gulf market for jewelry. So long as the Israelis used third-country passports or shipped their wares through shell companies, the Emiratis were usually happy to oblige. Israel reciprocated by supporting Dubai's entry into the World Federation of Diamond Bourses in 2004.[210]

A similar story unfolded involving the Emirati shipping giant DP World and Israel's Zim Shipping, which was privatized in 2004. After DP World took over US container ports when it bought out a British competitor in 2006, several senators and congressmen argued it could be a Trojan horse for terrorists and highlighted the UAE's formal adherence to the Arab boycott of Israel.[211] Zim CEO Idan Ofer publicly advocated for DP World, highlighting how Zim's ships that regularly docked at DP World ports, including in Dubai, had never experienced security problems.[212] Opposition to the deal, however, forced DP World to sell its US port operations. Nonetheless, the Emirati firm regarded Zim as both an able business partner and a useful instrument for burnishing its international brand. In 2008, DP World and Zim announced they would jointly purchase the Spanish port operator Contarsa.[213] By the time UAE and Israel established relations 12 years later, DP World CEO Sultan Ahmad Bin Sulayem had visited Israel numerous times, even staying for three months in 2018 while his daughter received medical treatment.[214]

Bin Sulayem's business partner Ofer may have been the most visible Israeli advocate for ties to the Gulf during this period, but Shlomi Fogel, a close confidante of Netanyahu, was probably the most important. Born in Tel Aviv, Fogel worked for Shell Oil in London, then on energy and transport projects in Ghana and Nigeria. His rise to prominence in the Israeli business world began after he relocated to Czechoslovakia in 1991 and brokered the export to Israel of Skoda cars, which were eagerly bought by immigrants from the former Soviet Union already familiar with the brand.[215] Returning to Israel, Fogel got to know Netanyahu and, during Netanyahu's 2003-2005 tenure as finance minister, the two waged a joint campaign against the Histadrut, Israel's powerful federation of labor unions, to privatize Israel's ports—including one in Haifa owned by Israel Shipyards, a government-held company that Fogel acquired in 1995.[216] In 2007, Fogel joined Likud, enjoying regular access to Netanyahu and other high-ranking party members for years.[217]

Fogel dreamed of making Israel an economic gateway to the eastern Arab world: Jordan, Iraq, and the Persian Gulf states. He began visiting Dubai in 1984, when such trips by Israelis were still rare.[218] In 1996, he presented Jordan's King Hussein with a vision for connecting the Israel Shipyards port in Haifa with the city's small airport and a railway terminal, enabling the entire area to function as a free trade zone linked to Jordan by rail and then on to Iraq and the Arabian Peninsula. "This project, which will lower the price of imports from Europe and the United States to the Arab world, will bring peace," Fogel promised in a 2001 interview.[219] He vowed to bring down the prices of cement, construction, materials, and food in the Persian Gulf, arguing, "We are in the most strategic location in the Middle East."[220] In 2007, a newspaper profile described Fogel as still harboring grandiose plans of economic peace, with Israel serving as a logistics center between "the deepwater port in Jordan [that is, Aqaba] and Europe."[221] Israel's location as a bridge to fast-growing Asian economies, Fogel said, "needs to be exploited. I have no doubt that goods exported from Aqaba will go via us and not Suez."[222] The problem, as Fogel's business partner Shlomo Shmeltzer put it, was that Israel's disputes with its neighbors made it a final destination, rather than a mid-way destination.[223]

Fogel continued to envision connecting Israel to the Gulf—and perhaps Iraq—along two principal axes. Israel and Jordan could build a railway from Aqaba to Eilat, which could then run north to Ashdod or Haifa. Aqaba would serve as a container port, while Eilat's tourist infrastructure would expand, perhaps to include a casino. Meanwhile, another rail line would link Haifa with the Shaykh Husayn crossing south of Beit Shean, which would then connect to the eastern Arab world through Jordan. "Cooperation with the Jordanians is super important—only the economy can undercut radical Islam," Fogel explained in another interview.[224] He wanted to be involved in that cooperation and, in 2009, acquired a stake in businesses in the Jordan Gateway Industrial Park, a free trade zone that straddled the Israeli-Jordanian border, established in 1998 to strengthen ties between Amman and Jerusalem. Fogel aimed to link his Israel Shipyards port in Haifa to Jordan Gateway and Arab markets beyond.[225] In 2013, he also became a shareholder in Papo Maritime, which operated the Port of Eilat.[226]

Netanyahu appears to have adopted many of Fogel's ideas about Israel as a transit state in the age of globalization. As finance minister, he cooperated with Fogel on port privatization as one part of a broader push to modernize Israel's transportation infrastructure and privatize state-owned shipping, aviation, and energy enterprises. Netanyahu hoped to lower government spending and make these enterprises more efficient, but also to permit Israel to play a larger role in new trade networks connecting Europe and Asia. Notably, he latched onto the old idea of linking Eilat and Ashdod by rail, discussing it with US officials and members of Congress during a 2003 visit to the United States.[227] In a 2005 interview, Netanyahu said an Eilat-Ashdod railway would allow Israel to benefit from "the exponential growth of trade flows from China and India to Europe." He said, "We want to use this alternative pathway to complement, under certain circumstances, the Suez Canal." Like Fogel, Netanyahu envisioned Eilat as Israel's Las Vegas, complete with gigantic hotel-casino-entertainment complexes.[228]

But perhaps the most important idea that Netanyahu seems to have taken from Fogel was the concept of economic peace—terminology Netanyahu began using in 2008, when he led the opposition in the Knesset. Netanyahu argued that Israeli-Palestinian business cooperation offered an alternative to endless summit diplomacy and Palestinian state-building projects funded by the United States and the EU.[229] Externally funded projects designed to build Palestinian state capacity only fostered corruption and dependence. Instead, Israeli and Palestinian business leaders should work to raise standards of living in the occupied territories, laying the groundwork for peace based on shared economic interests rather than a process stage-managed at every step by Western governments.

To some extent, Netanyahu probably embraced the economic peace framework to satisfy his political needs. Throughout 2008, he was engaged in a comeback campaign against Olmert and his center-right Kadima party, which had broken away from Likud. Talk of economic peace helped him court Kadima's voters by reassuring them that Likud could responsibly manage the Palestinian issue without specific reference to territorial concessions, which would anger the Likud faithful. But economic peace rhetoric served another purpose. It was a way for Netanyahu to signal to Persian Gulf leaders that Israel offered them economic opportunities, which they could grasp even if the Palestinians remained intransigent.

Economic Peace Versus Pax Americana-Irana, 2009-2016

The main obstacle to Gulf-Israeli integration, from Netanyahu's perspective, was the United States. The Israeli prime minister concluded after meeting with Obama in May 2009 that the US president cared more about Palestinian statehood than the Arab regimes themselves and that he sought a "Pax Americana-Irana" at the expense of Israel and the Gulf states. Israel, Netanyahu thought, needed to play for time, convince Washington to take a tougher stand on Iran, and "show an Israeli willingness to achieve a political solution with the Palestinians," even if negotiations led nowhere. Although Netanyahu recognized Israel could not convince Washington to embrace the regional approach he favored, he thought Jerusalem could perhaps trade small concessions to the Palestinians for openings to the Gulf and hope US policy would later change.[230]

After Obama—while in Cairo—called for Palestinian statehood and an end to Israeli settlement construction in the West Bank, Netanyahu delivered a reply in June 2009 designed primarily to "push back… against Washington's Palestinian steamroller," as Netanyahu later put it.[231] But it also presented a conceptual framework for economic integration with the Gulf:

> I call on the Arab countries to cooperate with the Palestinians and with us to advance an economic peace. An economic peace is not a substitute for a political peace but an important element in achieving it. Together we can undertake projects that overcome the scarcities of our region, like water desalination, or maximize its advantages, like developing solar energy, and exploiting our geographic location by laying gas and petroleum lines and establishing transportation links between Asia, Africa and Europe. The economic success of the Gulf States has impressed us all and it has impressed me. I call on the talented entrepreneurs of the Arab world to come and invest here and to assist the Palestinians and us in spurring the economy.[232]

It was a vision of regional integration worthy of Peres, but unlike *The New Middle East*, it did not presume Israel and the Palestinians needed to solve their disputes. But it was a vision the Gulf states were not yet ready to accept. That May, when Netanyahu visited Washington, he asked Obama to offer the Saudis a freeze on Israeli settlement construction in the West Bank in exchange for overflight rights for Israeli aircraft and a meeting between Netanyahu and King Abdullah. When Obama pitched the idea, however, Abdullah balked.[233] In July, Saudi Foreign Minister Saud al-Faysal publicly declared Israel needed to fully accept the Arab Peace Initiative before Riyadh would establish even limited ties.[234]

Netanyahu and the Obama administration would remain at odds about the salience of the Palestinian issue to Arab governments. "After decades of seeing Israel as their enemy, leading states in the Arab world increasingly recognize that together we and they face many of the same dangers: principally this means a nuclear-armed Iran and militant Islamist movements gaining ground in the Sunni world," Netanyahu told the UN General Assembly in the fall of 2014, not long after the collapse of US-brokered talks with the Palestinians and Operation Protective Edge—the most intense of several Israel-Hamas conflicts fought between 2006 and 2023.[235] Implicitly critiquing Obama's approach, Netanyahu said, "Many have long assumed that an Israeli-Palestinian peace can help facilitate a broader rapprochement between Israel and the Arab world. But these days I think it may work the other way around: Namely, a broader rapprochement between Israel and the Arab world may help facilitate an Israeli-Palestinian peace."[236] In his final public engagements in 2016, US Secretary of State John Kerry reiterated Washington's skepticism about this view. "There will be no separate peace between Israel and the Arab world," Kerry said, urging the Israelis to consider the Arab Peace Initiative.[237]

Yet, by 2017, Israel had indisputably broadened and deepened its relations with a variety of regional actors, particularly the Gulf states, despite a lack of progress toward a final status agreement with the Palestinians. Much of this momentum reflected Gulf and Israeli anxieties over what they saw as the Obama administration's permissive attitude toward Iran and Islamist movements. Jerusalem, Riyadh, and Abu Dhabi bristled at Washington's perceived abandonment of Egyptian leader Hosni Mubarak's regime in 2011 and the Joint Comprehensive Plan of Action (JCPOA) with Iran in 2015, which they saw as having failed to block Tehran's nuclear ambitions, its support to proxy militias, and drone and missile proliferation. Record-setting US arms sales to Jerusalem and Riyadh never assuaged these concerns. In 2016, when Obama called for Saudi Arabia and Iran to "share the neighborhood and institute some sort of cold peace," the Israelis and Saudis concluded that their suspicions about the Obama administration's policy had been correct.[238] Perceived bureaucratic slowdowns of arms transfers to Israel during Operation Protective Edge in 2014 and congressional opposition to Saudi and Emirati-led military intervention in Yemen in 2015 likewise led Israeli and Gulf leaders to wonder if their relations with the United States, never grounded in formal alliances, would retain the same level of support in years to come.[239] For the Saudis, Congress's passage of the Justice Against Sponsors of Terrorism Act (JASTA), which permitted victims of the September 11, 2001, terrorist attacks to sue Riyadh in US courts, was particularly indicative of the downward trajectory of the Kingdom's standing in the United States.[240]

Shared fears about Iran, Islamism, and US war-weariness, were not the only forces driving further Gulf-Israeli convergence, however. Between 2007 and 2014, US oil imports dropped 50 percent, while natural gas imports fell almost two-thirds.[241] These drops reflected growing use of renewable energy sources, higher vehicle fuel efficiency standards, and, most prominently, the growth of US shale oil and gas production enabled by hydraulic fracturing (fracking) and horizontal drilling techniques.[242] The United States also imported more oil from ascendant Western Hemisphere producers, such as Canada and Brazil, and did not rely as heavily on distant oil and gas producers, particularly in the Middle East.[243]

Growing energy security did not mean the United States could simply ignore the Middle East as the price of oil still reflected global supply and demand. But it did mean Washington could take risks in the Middle East that it had previously considered off-limits. The Gulf oil producers liked some of the risk-taking that shale production made possible, such as the tough sanctions the Obama administration applied against Iran from 2012 to 2015.[**] But what if Washington took advantage of its newfound energy security to force UAE or Saudi Arabia to fall in line with its preferred policies? Would the United States remain as willing to use force to defend the flow of oil from the Persian Gulf, especially if the danger of Iranian nuclear weapons seemed defused?

Initially, Saudi Arabia responded to the challenge of US shale oil by trying to put US producers out of business. In the fall of 2014, increased US oil production and unexpectedly low Chinese demand drove oil prices down from $100 to $77 per barrel. The Saudis did not cut production, in part because they did not trust other OPEC countries to follow suit, but also because they assumed US shale producers—facing higher production costs—would fold as the price continued to drop. This assumption proved wildly wrong when shale drillers found less expensive ways to operate, and by late 2015, oil prices had dropped to $37 per barrel.[244] Saudi Arabia, which posted budget surpluses every year between 2010 and 2013, now had a $98 billion deficit—equal to 15 percent of its gross domestic product (GDP).[245] In September 2016, Saudi Deputy Crown Prince Muhammad bin Salman (known in the West as "MbS") and Russian President Vladimir Putin agreed to coordinate oil policy going forward. Later that year, the OPEC states and 11 other oil producers, led by Russia, cut their collective output by about 1.8 million b/d to try to push prices back up.[246]

Clearly, OPEC—and specifically, Saudi Arabia—could no longer exert the same kind of power over energy markets without Russia. The problem with this arrangement, which came to be known as OPEC Plus, was that Washington was growing more hostile to Moscow in response to Putin's aggressive behavior abroad, including Russia's seizure in February 2014 of the Crimean Peninsula from Ukraine and its intervention in the Syrian civil war in 2015. At a time when US-Saudi relations were already strained, the advent of OPEC Plus called into question why the United States should protect Saudi Arabia, whose biggest oil customer was China, and which was now allying with Russia against the US oil industry.

In theory, Saudi Arabia could seek a security partnership with China. Unlike the United States, China's dependence on Middle Eastern oil showed no sign of waning. In 2015, China imported more than half of its oil, most of which came from Middle Eastern countries, particularly Saudi Arabia.[247] Indeed, Beijing had begun to establish a military presence astride the region's major maritime chokepoints, constructing a base in Djibouti close to Bab al-Mandab and acquiring the rights to operate the port of Gwadar in Pakistan, roughly 250 miles from the Strait of Hormuz and 50 miles from Iran. Although Beijing did not designate Gwadar as a military base, it clearly had potential utility for China's Navy and could serve as a gateway for goods—and possibly oil and gas—to reach China overland, bypassing the easily blockaded Strait of Malacca. There were enormous obstacles to Gwadar playing its envisioned part, including the difficulty

** Secretary of State Hillary Clinton credited the US shale sector with permitting the Obama administration to adopt sanctions punishing third countries for purchasing Iranian oil in December 2011. See: Hillary Clinton, *Hard Choices: A Memoir* (Simon and Schuster, 2014), 440.

of connecting pipelines to eastern China.[248] Yet, by acquiring Gwadar port, along with the Djibouti base, Beijing signaled its desire to control the flow of Persian Gulf oil and gas.

Nonetheless, Riyadh continued to see China as an inadequate substitute for the United States. Beijing simply did not have anything close to Washington's ability to project naval power into the Persian Gulf region, and it had no interest in deterring Iran. After Russia, China was Iran's principal arms supplier and had conducted its first naval exercise with Iran in 2014. Moreover, while Iran slipped from China's fourth- to sixth-largest supplier of oil during 2012-2015, the JCPOA positioned it to sell more oil to China. In 2012, China even began buying Iranian oil in renminbi rather than dollars, helping Tehran skirt US sanctions and advancing Beijing's interest in undermining the dollar's preeminence in global banking.[249] Saudi Arabia's leaders thus had reason to believe China favored pushing them into detente with Iran, which would undermine US hegemony in the Gulf while preserving China's access to energy supplies. The Saudis did not want to accept Chinese-brokered Iranian dominance, even if they felt unsure of future US military backing and arms supply. The United States also remained the main source of foreign direct investment in Saudi Arabia, and if Riyadh wanted to diversify its economy, it needed to attract more of it, especially after a 2014-2016 price war with shale producers left the Kingdom with far less spending money of its own.

For the Saudis, the urgency to formalize US protection was also growing in response to Iran's accelerating efforts to encircle the Arabian Peninsula. In 2007, the Iranian Navy adopted a doctrine of excluding the US Navy from the Maritime Triangle, a vast space encompassing the Strait of Hormuz, Bab al-Mandab, and the Strait of Malacca. In practice, Iran lacked the naval capabilities to fulfill this grandiose mission and, until 2014, busied itself mostly with harassing maritime traffic in the Strait of Hormuz, particularly at tense moments in the international diplomacy over its nuclear program.[250] As during the Iran-Iraq War, Riyadh and Abu Dhabi responded by seeking safer outlets for their energy exports. In 2012, UAE opened a pipeline that could carry as much as 70 percent of its oil production to the port of Fujairah just outside the Strait of Hormuz, enabling it to circumvent an Iranian blockade.[251] Saudi Arabia decided to repurpose the old Iraqi-built pipeline that terminated at Mu'ajiz, which it had confiscated in 2001 and briefly used for natural gas.[252] By 2012, UAE and Saudi Arabia could route about 40 percent of the oil that normally had passed through the Strait of Hormuz through the Gulf of Oman or the Red Sea instead.[253]

But Yemen's Houthi movement, whom Iran supported with funding, weapons, and training, seized control of Sana'a in September 2014, driving out a GCC-backed transitional government established in 2012. In March 2015, a Saudi-led coalition intervened militarily in Yemen to help restore the transitional government, prompting even deeper Iranian involvement—turning the Red Sea region into a theater of international conflict. The Saudis and Emiratis grew frustrated over the limits of US support for their Yemen campaign, but recognized they could expect even less from Russia and China. By April, China had already begun calling for Saudi Arabia to seek a political solution to the Yemen conflict, which would presumably preserve some Houthi gains.[254] Russia had called for a ceasefire almost immediately after the Saudi-led intervention and was the only UN Security Council member to oppose an arms embargo against the Houthis in April 2015.[255]

Saudi Arabia needed US support to avoid being surrounded by Iran and its proxies. The question for Riyadh was how to ensure backing remained forthcoming in the shale oil era. And increasingly, it seemed that a partnership with Israel might be the way for Saudi Arabia to formalize relations with the United States, attract foreign investment for its economic modernization schemes, and avoid forced Iranian-Gulf Arab detente.

The Saudis contacted Israel even before the Houthis entered Sana'a. After Operation Protective Edge in 2014, Netanyahu met secretly with Prince Bandar, the Kingdom's former ambassador to Washington, but the Saudis' attempts to launch UN-brokered talks based on the Arab Peace Initiative went nowhere. This failure, however, did not keep the Saudis from trying to engage Israel in 2015—after Salman bin Abdulaziz became king, MbS became deputy crown prince, and the intervention in Yemen began.[256] That June, former Saudi General Anwar Eshki joined Dore Gold, a close Netanyahu confidante, onstage at the Council on Foreign Relations in Washington. Eshki, almost certainly with the support of the Saudi monarchy, called for the United States to adopt a strategy that combined Arab-Israeli peacemaking, regime change in Iran, a rollback of Houthi gains in Yemen, and the establishment of an Arab force to protect the Arabian Peninsula, with US and European backing.[257] During the next two years, Israeli officials secretly discussed the core elements of Eshki's proposal with their Gulf counterparts many times.

Efforts by the Obama administration to use clandestine Israeli-Gulf contacts as a springboard to a regional diplomatic summit foundered.[258] This did not yet hinder the Saudis from pushing to associate the Israelis with Vision 2030, MbS's ambitious design for a post-oil Kingdom, which gave priority to tourism, logistics, and alternative energy ventures on Saudi Arabia's Red Sea coast. Like Netanyahu, MbS saw his country as blessed with "a very special geographical location," abutting "the three most important maritime straits in the world."[259] Saudi Arabia, he said, needed to better link the Gulf to Egypt, Jordan, and other countries to facilitate trade between Europe and Asia.[260] Although MbS did not publicly identify Israel as one of these other countries, the Saudis' intent to involve Israel in their regional trade plans was implicit in a complicated diplomatic maneuver they orchestrated in April 2016, just two weeks before MbS unveiled Vision 2030.

During his visit to Egypt in April 2016, King Salman offered massive pledges of aid and investment. Egypt, in return, agreed to transfer Tiran and Sanafir, two small islands at the mouth of the Strait of Tiran back to Saudi sovereignty.[261] The Israelis had captured these islands from Egypt in 1967 and returned them to Cairo in 1982, but continued to maintain that their reversion to Saudi Arabia would violate the Israeli-Egyptian peace treaty.[262] Immediately after Salman's visit, however, Israeli Defense Minister Moshe Ya'alon announced Saudi Arabia had agreed to assume Egypt's treaty obligations relating to the islands, and that Israel would not object if Saudi Arabia and Egypt built bridges connecting the islands to their mainlands.[263] Saudi Arabia, in other words, had become a kind of indirect partner to the Israeli-Egyptian peace treaty, while Israel had become a silent participant in Riyadh's northern Red Sea development plans.

During the next several months, Riyadh made use of government-connected figures to signal that it wanted to involve Jerusalem in building the Kingdom into a major trade hub. In June 2016, just before he made a landmark trip to Israel, Eshki spoke at length to the *Yediot Ahronot* newspaper about Tiran and Sanafir. If Israel embraced the Arab Peace Initiative, the Saudi ex-general promised, it could conduct business in a massive free trade zone that Saudi Arabia planned to build on Tiran. Eshki said, "Such a move will have huge economic returns for you."[264] In October 2016, Salman al-Ansari, a lobbyist for the Saudi Government, published an article in *The Hill,* titled "How Israel Can Contribute to Saudi's Vision 2030." Israel and Saudi Arabia, argued al-Ansari, had an interest in a mutually beneficial economic partnership, not just in countering Iran. Linked through economic cooperation, Saudi Arabia and Israel would "become the new twin pillars of regional stability," which would allow the United States to engage in fewer military interventions and "foster an environment in the region that is conducive towards social development and economic growth."[265]

By linking Saudi Arabia economically to Israel, MbS clearly hoped to situate both countries at the center of a regional economic network that would serve as an anchor for continued US military involvement in the Middle East. As Deputy Crown Prince, he was not yet positioned to translate this vision into reality. His actions, however, reinforced the Netanyahu government's sense that a trade network with the Gulf was merely a matter of time, especially if encouraged by the United States. In the meantime, Israel worked to take advantage of the economic opportunities offered by Egypt and Syria's descent into chaos.

Bypassing Syria and Suez, 2009-2016

From 2009 to 2016, Netanyahu's governments upgraded Israel's rail, road, and port infrastructure and marketed the country as a safe artery for trade at a time when other Middle Eastern routes were threatened by civil wars, terrorism, and Iranian-sponsored aggression. Some career Finance Ministry officials thought the money would be better spent on schools and health services in Israel's comparatively underdeveloped northern and southern regions. Netanyahu and Eugene Kandel, who headed Israel's National Economic Council, remained adamant, however, probably because of the strategic dimensions of these plans rather than their near-term profitability.[266]

As Netanyahu saw it, the rise of Iranian power and Islamist movements in the Arab world meant Israel would need to increase defense spending in the years ahead. Because the country could not count on the United States to meet all of its needs, Israel needed to earn more export revenue to fund defense and provide services to its populace. Israel could not reasonably expect to significantly boost exports to Western countries; therefore, it needed to sell more to China and India and realize its latent potential as a connector between Asia and Europe. "We are at a global, historic and geopolitical crossroads, and we are not profiting from that at all," Netanyahu told an audience of business leaders in January 2011. The way to fix that, he stated, was to build a railway line between the Red Sea and the Mediterranean and another through the Jezreel Valley, which would "connect Haifa with the bridges over the Jordan River and the Sheikh Hussein Bridge" and create a connection with the East (Fig. 5). Israel wanted "not only to develop transportation inside the country, we want to join with other countries in the region in peaceful relations—economic peace no less than political peace."[267] The Jezreel Valley line came first. In 2010, Transportation Minister Israel Katz approved plans for rebuilding a long-defunct branch line of the old Hijaz Railway. The original line had run from Haifa to Samakh in the eastern Galilee, then northeast to Dara'a in southern Syria. The new route, completed in 2016, ended at the Sheikh Hussein Bridge, which linked Israel and Jordan near Beit Shean.[268]

So long as the Jezreel Valley railway did not connect to rail lines in Jordan, its potential remained more latent than real, but the Israelis had reason to be optimistic. The shifts in regional trade patterns caused by Syria's civil war had already made the railway a worthy idea. As Syria collapsed into violence and disorder, shippers from the Black Sea region, particularly Turkey, began using Haifa to transship goods that had been sent through the Syrian port of Latakia and onward to Jordan, Iraq, and the Gulf. Between 2011 and 2014, truck traffic between Israel and Jordan increased 300 percent. The quantity of containers shipped from Turkey to Israel for transshipment more than quadrupled from 18,000 tons in 2011 to 77,000 tons in 2013. "Israel is returning to its historic role, as a transit country, as a bridge between continents, where historic trade routes passed through," proclaimed Yael Ravia-Zadok, the head of the Foreign Ministry's Middle Eastern Economic Affairs Bureau.[269]

Figure 5. Jezreel Valley Railway Line

Source: Israel National Roads Company (via Wikimedia Commons).

The goods flowed in the other direction as well. In 2012, Haifa Mayor Yonah Yahav said Iraqi goods were being trucked through Jordan and on to the Mediterranean through his city's docks.[270] By 2017, Katz claimed 25 percent of Turkey's trade with the Gulf states moved through Haifa and 20 percent of Jordan's exports likewise passed through the Israeli port.[271] If Israel could link the Jezreel Valley railroad to Jordan and the Gulf, it could magnify and solidify this pattern of trade.

At the same time, the Israeli Government began planning again for a railway to Eilat. Under Olmert, this idea had remained frozen, largely because the Finance Ministry's career professionals resisted the idea.[272] Even after Netanyahu reidentified the railway as a priority, Israel's budget experts objected. Although Netanyahu treated the project as fait accompli in his speeches, he seems to have quietly heeded the Finance Ministry's advice, initially consigning the railway project to the second phase of plans for overhauling Israel's transportation networks, set to begin in 2020.[273] But in 2011, Jerusalem began to approach the Eilat railway project with a greater sense of urgency. That winter, massive antigovernment protests forced Mubarak to abdicate after nearly 30 years of rule, leaving Egypt to be led by an uneasy partnership between a Muslim Brotherhood-led government and the army. An insurgency enveloped the Sinai Peninsula, bringing the threat of global jihadism to Israel's southern border and the shores of the Suez Canal. With the dangers of the revolution, however, came an opportunity for Israel to present itself as an alternative to the Suez Canal—this time, to China.

The idea of partnering with Chinese companies on a railway to Eilat was not entirely new. Netanyahu had considered it during his tenure as finance minister.[274] Indeed, by the time the Mubarak regime fell, the Israeli Government had already chosen to involve Chinese companies in infrastructure projects. In

2010-2011, Israel granted tenders to the China Civil Engineering Construction Corporation for railway tunnel projects in Haifa and between Acre and Carmiel.[275] Now, however, Israel thought it had a unique chance to capitalize on Chinese fears that their freedom of navigation through Suez could no longer be taken for granted. In the fall of 2011, Katz visited Beijing and returned convinced that Israel needed to reach an agreement with China on the Eilat railway as soon as possible. "China is uniquely willing to cooperate with us on this strategic project in light of what is happening in the region," the transportation minister reported.[276] China could also solve the problem of financing the railway, because its construction companies could draw on state resources, unlike privately owned Western companies.

In February 2012, Netanyahu's cabinet voted to immediately begin planning the Eilat railway project, which included a passenger line to Tel Aviv and a freight line to Ashdod.[277] Netanyahu described the vote as a strategic decision to create an alternative transportation route bypassing Suez, which would become Israel's insurance card, guaranteeing the country's value to Asia's rising powers. "It will give China and India an interest in Israel," he said.[278] In July 2012, Katz visited China again to sign MOUs committing the Chinese Export-Import Bank to help finance the Eilat railway and the China Communications Construction Company (CCCC) to build it.[279] The issue topped Netanyahu's agenda when he visited China in May 2013, and when Chinese Foreign Minister Wang Yi visited Israel that December.[280]

Ultimately, planning for the railway stalled in the fall of 2014 for the same reasons earlier efforts failed. Once again, Israel's political leaders had underestimated the cost of the project. In 2012, the government estimated its cost to be roughly $3 billion, but a committee led by the director-general of the prime minister's office discovered the true price tag approached $10 billion, not including depots or related upgrades to the Ashdod and Eilat ports.[281] The railway also faced strong opposition from Israeli environmentalists and, as usual, Egypt—now led once more by a military-dominated government that Israel hoped to befriend. In August 2014, Cairo announced it planned to spend $4 billion over five years to widen the Suez Canal, probably, in part, to preempt the Eilat railway project.[282] Pressed by the Bank of Israel to cut spending, Netanyahu's government froze the Eilat railway project until at least 2016—a year later, the project remained frozen.[283]

Despite these blows, both Israel and China clearly anticipated the Eilat railway project would eventually be incorporated into the maritime component of Beijing's BRI, the sweeping plan for global trade connectivity that Chinese President Xi Jinping announced in 2013. Even as the railway project stalled, related initiatives along the Mediterranean and Red Seas continued. In March 2014, at the urging of Fogel, Eilat Port began shipping containers to and from Aqaba. By making use of Aqaba's container facilities and ships that would have otherwise left Jordan empty, Israel dramatically slashed the cost of its exports to the Far East and opened the possibility of shipping goods to the Persian Gulf through the Red Sea. Port officials expected Israel could triple the number of containers shipped this way if the Eilat railway were built.[284]

More dramatically, in September 2014, Netanyahu authorized a subsidiary of Beijing's state-controlled China Harbor firm to build a new port facility in Ashdod, the envisioned terminus of the Eilat railway. He argued Israel was "making use of our strategic position, our geographic position, to establish ourselves at the heart of world trade" and had no better partner in this endeavor than China.[285] In 2015, Jerusalem agreed to allow another Chinese company, Shanghai International Port Group, to operate the Haifa Bay

Port container terminal once it was completed.[286] Beijing never pushed Israel to formally join the BRI, most likely to avoid antagonizing Iran or its Arab allies, but China clearly saw Israel as a critical node in the project. When Netanyahu visited China in March 2017, both he and Xi spoke of Israeli-Chinese cooperation within the BRI framework.[287]

At the time, only a handful of career Israeli national security officials strongly objected to Netanyahu's efforts to integrate Israel into the BRI. This group, which included ex-Mossad chiefs Efraim Halevy and Danny Yatom, warned that Israeli politicians were being willfully pollyannish about China's use of overseas infrastructure projects to conduct espionage or influence host countries' foreign policies, and that Jerusalem would anger Washington by flirting with Beijing.[288] But, in general, the Israeli Government appears to have been driven primarily by its desire to access China's enormous markets. Given the ongoing tension among Israel, the Obama administration, and the EU over the Palestinian issue, Netanyahu and others on the Israeli right also liked the idea of greater strategic autonomy from the West. In one 2014 speech, Netanyahu argued that Israel should seek shared interests with a variety of countries, including new and rising powers.[289] He noted that he had spoken with both US Secretary of State Kerry and Chinese Foreign Minister Wang at a conclave in Davos, implying Israel should feel free to interact with both superpowers as it saw fit. What Netanyahu did not seem to anticipate was that Israel might eventually have to choose.

Natural Gas: East Mediterranean Versus Eurasian Orientations, 2009-2018

The discovery of enormous quantities of natural gas off Israel's coast also stirred Israel's dreams of becoming a regional trade and energy hub in the 2009-2013 period. In January 2009, a consortium led by Israel's Delek and Texas's Noble Energy discovered the 281 bcm Tamar field about 60 miles west of Haifa. In December 2010, the consortium discovered the 606 bcm Leviathan field, 30 miles west of Tamar. Two additional fields, Tanin and Karish, were discovered north of the existing fields in 2012 and 2013. By 2019, Israel's Ministry of Energy estimated these fields and a few smaller adjacent reservoirs contained as much as 1,480 bcm of natural gas. Although far from the 44,000 bcm of proven reserves possessed by global leaders such as Russia,[290] the new fields contained enough gas for Israel to meet its electricity needs for decades and perhaps to even export gas, after years of depending on other countries for energy. Indeed, Israel's new fields began operating in the nick of time; Egypt stopped supplying Israel with gas following attacks on its Sinai pipelines in 2012, forcing Israel to fully deplete its Mari-B field and import expensive Trinidadian and US LNG. Production from Tamar came online in 2013, just in time to defuse Israel's energy crisis.[291]

The question of whether to export gas, however, proved fraught for the Netanyahu government. Netanyahu argued to do so almost immediately after Leviathan was discovered, claiming it was the only way to ensure international gas companies would develop Israel's fields. Yet the government then had to decide exactly how much gas would be reserved for sale at home and how much could be sold abroad. In June 2013, after a long review, the Israeli Government agreed to retain 60 percent of gas discoveries for domestic use.[292] Afterward, however, Israel's antitrust authorities remained concerned about the monopoly power of the gas companies, preventing the development of Leviathan until December 2016, when the Noble-led consortium agreed to sell its stakes in the Karish and Tanin fields to the Greek company Energean.[293] Netanyahu, throughout the process, battled opponents of exports, and personally appeared in front of the Israeli Supreme Court to accuse the gas companies' opponents of harming Israel's national security.[294]

Beyond the question of *whether* Israel should export gas lay the dilemma of *where* to send it. From the beginning, Jerusalem, Washington, and the energy companies agreed Israel should sell gas to the PA and Jordan. Both could easily connect to Israel's gas transmission infrastructure and had such small markets that Israel did not even count their projected purchases against its export quota. The US Department of State was particularly eager for Israel to sell gas to Jordan, whose supplies had been disrupted by Egypt's revolutionary turmoil. By 2013, Amman also hosted 650,000 refugees from Syria's civil war, deepening its need for cheap energy.[295] In February 2014, Israel, Jordan, and the Tamar consortium agreed that two Jordanian mineral companies in the Dead Sea area would link with Israeli pipeline infrastructure and buy gas from Tamar. Later that year, the two countries and the gas companies also agreed that Jordan's National Electric Power Company (NEPCO) would buy gas from Leviathan, although this agreement was not finalized until 2016.[296] In January 2017, the two Dead Sea companies began receiving gas shipments, while NEPCO began buying gas from Leviathan in 2020. Notably, the Jordanian partners to these deals worked with a subsidiary of Noble Energy, rather than the consortium itself, reflecting the Jordanians' unease about buying gas directly from an Israeli firm. Even this sleight of hand did not entirely mitigate popular opposition to the sales, particularly from Jordanian Islamists.[297]

But the politics of choosing other customers was more complex. In theory, Israel could have built an LNG export terminal on its own territory, allowing it to export gas anywhere in the world. The Israeli security establishment, however, feared any such facility could easily become a target, and Israel's limited available coastline meant any potential coastal gas terminal would face statutory hurdles and public opposition.[298] The Leviathan operators considered working with Australia's Woodside Energy on a floating LNG terminal project, but the idea fell through, probably because such a facility would have been expensive and ill-suited to shipping large quantities of gas.[299]

Israel's other choices for transporting its gas abroad included helping gas companies deliver supplies directly to customers by pipeline or piping gas to an LNG export terminal in a neighboring country. But, when Leviathan and Tamar were discovered, Israel's only pipeline connection was with Egypt, and the fall of Mubarak's regime closed off the near-term possibility of exporting gas there. That left Israel with the option to build new pipelines, but to where? Previously, the answer would have been Turkey. But in the Erdogan era, and especially after the Mavi Marmara incident, a pipeline to Ceyhan did not seem so desirable.

Cyprus and Greece, with historically frosty relations with Israel, now appeared to be Jerusalem's logical energy transit partners. In February 2010, Netanyahu ran into the Greek prime minister at a restaurant in Moscow, and their chance encounter led to meetings in Athens and Jerusalem later that year. During his August visit to Greece, the first ever by an Israeli prime minister, Netanyahu proposed building a natural gas pipeline connecting the two countries.[300] In December, Cyprus and Israel signed an agreement demarcating their maritime border, a key step in permitting the development of Leviathan and exploration for gas in Cypriot waters to move forward.[301] In January 2011, Cypriot President Demetris Christofias and Delek's CEO discussed building an LNG export terminal on Cyprus that would process Israeli gas for sale in third countries.[302] Christofias visited Israel two months later, the first time a Cypriot leader had ever done so. Capping this flurry of energy diplomacy, Greece and Israel agreed in April 2011 to jointly appeal to the EU for financing for a subsea pipeline between their countries.[303] In 2013, the EU designated this notional project, known as the Eastern Mediterranean Pipeline, a "Project of Common Interest," meaning it qualified for EU funding and would not have to rely on private financing.[304] The three countries also began discussing the Euro-Asia Connector, an undersea electric cable that would link Israel and Cyprus to Greece, allowing Jerusalem to sell excess electricity to the EU.[305]

The advent of the Greek-Cypriot-Israeli energy triangle, however, threatened both Turkey's status as a regional pipeline hub and Russian gas sales to Europe. Accordingly, Ankara and Moscow mobilized to block it. Immediately after Israel and Cyprus demarcated their maritime boundary, Turkey began protesting that the agreement infringed on the offshore rights of the Turkish Republic of Northern Cyprus, the breakaway enclave that Ankara had propped up since its invasion of the island in 1974.[306] In September 2011, when the Cypriots permitted exploratory drilling to begin in their coastal waters, Erdogan sent a Turkish research vessel, escorted by warships, to explore for gas off the northern part of the island.[307] Israel responded by flying warplanes low over northern Cyprus until they were warned off by Turkish jets.[308]

Russia was more subtle in opposing the East Mediterranean gas development. Unlike Erdogan, Putin did not try to block the parties with force. Instead, using its state-controlled energy companies, Russia attempted to become a player in the development of East Mediterranean gas to co-opt and control the process. To encourage rivalry, Moscow criticized Ankara's efforts to explore for gas near Cyprus, probably to prevent Israel, Cyprus, and Turkey from agreeing on the less costly Israeli-Turkish pipeline option, which would directly compete with Russian gas exports.[309] At the same time, Moscow entered the East Mediterranean gas scene itself. When Putin visited Israel in June 2012, gas was the main topic in his meetings with Netanyahu. The Russian delegation announced Gazprom would launch a subsidiary that would seek to extract, transmit, and market Israeli gas.[310] In fact, Gazprom had already offered to export and market 4.5 bcm of gas per year from Tamar through a floating LNG terminal.[311]

Publicly, Netanyahu and his advisers welcomed Russian involvement in the Israeli energy sector. Privately, however, they worried that Moscow hoped to acquire stakes in Israeli gas fields to block exports to Europe and influence Israel's foreign policy by manipulating its domestic gas market, according to press accounts.[312] "No one wants the Russians to take over the whole area," commented Avishai Braverman, the chairman of the Knesset's Economic Affairs Committee, in one unusually candid interview.[313]

Russia's overtures were thus politely rebuffed. In December 2012, the Leviathan consortium rejected Gazprom's bid for a 30 percent stake in the field, reportedly because Noble Energy did not want to partner with a Russian firm. Probably for similar reasons, Israel's Ministry of National Infrastructures never approved Gazprom's bid to market gas from the Tamar reservoir.[314] In the meantime, Israel's prospects for exporting gas to Europe through Egypt or Turkey improved after a US-brokered apology from Netanyahu to Erdogan for the Mavi Marmara attack in March 2013, and the fall of Egypt's Muslim

Brotherhood-dominated government in Egypt. "All options are on the table," commented Israeli Energy Minister Silvan Shalom in December 2013, after discussing the Turkish, Greek-Cypriot, and Egyptian export options with Italian officials.[315]

The choice, however, was complicated. On the one hand, transporting gas by pipeline to Egypt or Turkey would be less expensive and technically simpler than building an LNG terminal on Cyprus or an undersea pipeline to Greece. Officials in Netanyahu's office reportedly also believed that Turkey, which had grown uncomfortably dependent on gas from Russia and Iran, wanted to diversify its sources of supply. On the other hand, other Israeli officials and the gas companies' representatives were reluctant to compromise Jerusalem's improving relations with Nicosia and Athens for deals with the hostile and mercurial Erdogan or a politically unstable Egypt. In addition, Nicosia had made it clear that because Turkey sought to prevent Cyprus from developing its coastal gas deposits, it would contest any Israeli-Turkish pipeline built through its economic waters.[316]

The Israelis also had to consider US views on export routes to Europe. Since 2009, the Obama administration had been lukewarm about the Israeli-Greek-Cypriot entente for the same reason Russia tacitly encouraged it: it was directed against Turkey, a US ally in the North Atlantic Treaty Organization (NATO). Washington's preferred policy was to encourage reconciliation and dialogue among Turkey, Israel, Greece, and Cyprus, not energy transit schemes that deliberately excluded Ankara and reinforced its pro-Russian, Eurasianist tendencies. In 2013-2014, the United States began actively encouraging Israel to choose the Turkish option, partly to build on Netanyahu's apology to Erdogan for the Mavi Marmara incident, but also because Europe's need for non-Russian gas became more urgent after Moscow annexed Crimea. In May 2014, US Vice President Joe Biden visited both the Republic of Cyprus and the Turkish Republic of Northern Cyprus to try to jumpstart talks on island reunification. Cyprus, Biden proclaimed, could become a hub for energy exports to Europe.[317] Clearly, the United States hoped to persuade the Turks, Greeks, and Cypriots to set aside their differences to enable East Mediterranean gas exports through Turkey to Europe.

With US encouragement, long-dormant UN-led peace talks between Greek and Turkish Cypriots resumed in March 2015 and continued through the end of Obama's second term.[318] Washington continued to support Israeli gas exports to Jordan and Egypt and even offered Noble Energy up to $500 million in political risk insurance coverage for its projects in 2016.[319] But it was clear the Obama administration saw an Israeli-Turkish gas deal as the ultimate prize.

Thus, it made sense for Israel to regard Turkey as its preferred long-term customer for Leviathan's gas while also pursuing an agreement with Egypt that made use of existing pipeline infrastructure. By October 2014, the Tamar partners and Egypt's Dolphinus Holdings, a consortium of industrial and commercial gas consumers, reached an agreement for Egypt to buy 2.5 bcm of Israeli gas over seven years.[320] That same year, Turkey quietly began permitting the Kurdistan Regional Government (KRG) in Iraq to export oil to Israel through the BTC pipeline, which Israel then sold to Asian customers through Eilat.[321] It was a quiet signal from Ankara that the time was ripe for the two countries to revisit the energy cooperation they had discussed at length in the 1990s and early 2000s.

But here Russia reentered the picture. After Russia seized Crimea, the EU refused to implement plans for South Stream, a pipeline that would have carried Russian gas across the Balkans to Central Europe. In December 2014, Putin responded by announcing Russia would build an alternative Turkstream pipeline through Turkey instead.[322] In November 2015, however, a Turkish fighter shot down a Russian jet that had strayed into Turkish airspace from Syria, leading Moscow to slap economic sanctions on Ankara and freeze construction of Turkstream.[323] Moscow now had an even greater incentive to derail a Cyprus settlement that would permit Israeli exports of gas to Turkey, which was likely to reduce Russia's ability to use Turkstream as a cudgel against Ankara. Thus, in December 2015, soon after the Turkstream negotiations broke off, Russian Foreign Minister Sergey Lavrov visited Cyprus and warned against any attempt to force "artificial timetables" on the Greek and Turkish Cypriots. The message was clear: Russia opposed US efforts to resolve the Cyprus problem.[324] A year later, Russia's ambassador to Cyprus met with opponents of a deal with the Turks and criticized Cypriot President Nikos Anastiades.[325]

During the same period, Russia made another attempt to acquire stakes in East Mediterranean gas fields, probably to ensure it could influence future efforts by Western companies to meet European demand for non-Russian sources of gas. In June 2016, when Netanyahu visited Moscow, Putin said he wanted to partner with Israel to supply gas to European countries, including Poland, which had just announced its intent to phase out Russian gas.[326] According to one source, Putin also intimated that if Israel did not agree, Moscow would not be able to prevent Syria or Hizballah from targeting Israeli gas fields.[327] Netanyahu politely replied that Israel's doors were open to experienced energy companies from any country, while declining to follow up.[328] But in December 2016, Rosneft acquired a 30 percent stake in Egypt's recently discovered mammoth Zohr field from the Italian company ENI.[329] Russia was now positioned to influence future efforts at pooling Israeli, Cypriot, and Egyptian gas resources for export, while steering the Cypriots away from a peace deal that would make an Israeli-Turkish alternative network possible.

The Israelis tried to shrug off Moscow's machinations and simply forge ahead with the Turkish option. In June 2016, Israel and Turkey finally resolved the last of the disputes that had arisen after the Mavi Marmara incident, allowing them to fully restore diplomatic ties and, per Netanyahu, discuss gas exports, including the supply of gas through Turkey to Europe.[330] In October 2016, Israeli Energy Minister Yuval Steinitz met with Turkey's Energy Minister Berat Albayrak, who is also Erdogan's son-in-law, and promised to pursue a pipeline to Turkey.[331]

By this point, a failed coup against Erdogan in July 2016 provided yet another means for Russia to undercut the Israeli-Turkish pipeline negotiations. Despite his unhappiness with Russia's support for Assad, Erdogan drew an unfavorable contrast between Putin's post-coup expressions of sympathy and what he perceived as an ambivalent and tepid response by the United States. Already at odds with Washington over its counter-terrorism cooperation with the Kurdish People's Defense Units (YPG) in Syria, Erdogan met with Putin in St. Petersburg in August 2016 and agreed to normalize relations. This meeting inaugurated several processes that would strain US-Turkish relations, including talks on Ankara's purchase of Russian S-400 missiles and tacit deals in Syria in which Turkey carved out anti-YPG enclaves, while acquiescing in Assad's reconquests of opposition-held territory elsewhere. From the Israeli perspective, however, the most important aspect of Turkish-Russian rapprochement was the revival of Turkstream, which Erdogan and

Putin agreed to resurrect at the same October 2016 conference where Steinitz indicated Israel would seek a pipeline to Turkey.[332]

Although pipeline talks between Turkey and Israel continued into 2017, by July the Cyprus negotiations had finally broken down—meaning that any Israeli pipeline to Turkey would embroil Jerusalem in controversy with Nicosia. With prospects for a gas deal with Israel receding and Turkish presidential elections approaching in 2018, Erdogan reverted to familiar patterns of behavior toward his erstwhile Israeli energy partners. After a July terrorist attack on the Temple Mount/Haram al-Sharif, the Israeli Government installed metal detectors at the site, prompting violent Palestinian protests. Erdogan responded by calling for all Muslims to visit the Al-Aqsa Mosque and protect Jerusalem. Netanyahu responded by asking what Erdogan would "say to the residents of northern Cyprus or the Kurds" and Israeli opposition leader Yair Lapid called for abandoning the misguided dream of an Israeli-Turkish pipeline.[333]

By December 2017, when Erdogan began criticizing the planned move of the US Embassy in Israel from Tel Aviv to Jerusalem, Israel had clearly decided to move on from the Turkish pipeline idea. That month, the Israeli Government signed an MOU with Cyprus, Greece, and Italy committing to timely development of the Eastern Mediterranean Pipeline.[334] Of more immediate importance, in February 2018, the owners of the Tamar and Leviathan fields updated a 2014 agreement with Dolphinus Holdings agreeing that the consortia would sell Egypt 64 bcm of Israeli gas over 10 years for $15 billion.[335]

By the time Ankara recalled its ambassador from Israel again in May 2018 after Jerusalem cracked down on Hamas-orchestrated demonstrations on the Gaza-Israel border, the possibility of an Israeli-Turkish energy deal was already gone. Netanyahu's government had settled for a nonpreferred route for gas exports from Leviathan and the US effort to bring East Mediterranean gas to Europe had gone nowhere. Yet the Israeli prime minister and Steinitz still had much to celebrate. In addition to the royalties Israel would accrue from gas sales to Egypt, it had effectively reversed its energy dependence on Cairo. In September 2018, Noble, Delek, and their Egyptian partner company Sphinx acquired stakes in the dormant pipeline between al-Arish and Ashkelon, with the intent of reversing its flow, enabling Israeli gas exports to Egypt. The consortium likewise secured the right to pump gas to Egypt through the Arab Gas Pipeline in Jordan—a conduit originally built to circumvent Israel.[336] Perhaps a pipeline to Turkey might have been preferable, but Erdogan had shown once again why he could not be trusted, so Israel had not really missed an opportunity. With a new administration in Washington, the Israelis undoubtedly also expected more robust support for their geoeconomic ambitions going forward.

Deals of the Century: The Trump Administration and the Mediterranean-Gulf-Indian Trade Network, 2017-2020

In March 2017, Israeli Transportation Minister Katz met with Jason Greenblatt, whom the Trump administration had appointed to work alongside Special Advisor Jared Kushner on an Israeli-Palestinian peace deal. Katz's plan, *Tracks for Regional Peace,* called for east- and west-bound railroads linking Israel, Jordan, Israel, the Gulf states, and Iraq, and a southbound railroad linking Israel and Jordan to the Red

Sea through Aqaba and Eilat.[337] That December, Katz explained the plan to the Saudi online newspaper *Elaph,* which had become a regular venue for Israeli officials to share views with Arab audiences.[338] In October and November 2018, he and Netanyahu presented the transit plan in Oman.[339] Katz addressed attendees at a conference of the International Road Transport Union that included senior transportation officials from throughout the Muslim world.[340] In June 2019, Katz, having moved to the Foreign Ministry, presented *Tracks for Regional Peace* to senior Emirati officials while at a UN-sponsored climate conference in Abu Dhabi.[341]

Katz's plan, of course, was not new. What was novel was that the US administration enthusiastically welcomed it. During the Israeli minister's 2018 Oman visit, Greenblatt tweeted, "Today Transportation & Intelligence Minister@Israel_Katz is in Oman at an international transportation event. He will present a plan for the construction of a railway between Israel, Jordan, Saudi Arabia & the Gulf. Let's keep the dialogue going. These efforts support our efforts."[342] At the June 2019 Peace to Prosperity summit in Bahrain, Shlomi Fogel, the real force behind Katz's plan, was among the handful of Israeli businesspeople Kushner invited to mingle with counterparts from Arab countries.[343] Fogel undoubtedly recognized many of the ideas in the economic peace plan that Kushner presented at the conference, which reappeared in the Trump administration's January 2020 *Vision for Peace.* These included upgrading Jordan's rail and road system, potentially extending it to the Gulf, and building a "dry port" in Ma'an, Jordan, and a logistics hub in Egypt near the Suez Canal, linked to Israel and the Gaza Strip by upgraded roads. The United States had adopted the idea of Israel as a "global hub for the movement of goods and services from Asia to Africa and Europe"—as the V*ision for Peace* put it.[344]

The Palestinians did not embrace these concepts, but neither the Israelis nor Trump's "peace team"—Kushner, Greenblatt, and Ambassador to Israel David Friedman—expected them to do so. From 2017 onward, the Trump administration's chief negotiators shared Netanyahu's view that the Gulf states were ready to establish relations with Israel without much movement toward resolving the Palestinian issue. "Today, the threats from jihadist terrorist organizations and the threat from Iran are creating the realization that Israel is not the cause of the region's problems. States have increasingly found common interests with Israel in confronting common threats," proclaimed the December 2017 US *National Security Strategy.*[345] The *Vision for Peace* exercise was, as Friedman later put it, mainly "an opportunity to show that Israel was willing to make concessions for peace, and... an opportunity to give cover to the neighbors in the region who wished to engage further with Israel."[346] Israel's two inconclusive 2019 elections delayed the rollout of the peace plan, although the peace team decided to move forward before Israelis voted a third time in March 2020.[347]

Indeed, by the time the *Vision for Peace* was unveiled, it was already clear the Gulf states and other regional parties would embrace Israel's vision of itself as a transit state, especially given the United States' staunch support for it. In March 2018, Saudi Arabia began permitting Air India to regularly fly to and from Israel through its airspace, dramatically shortening a journey that had previously required a long detour around the Arabian Peninsula.[348] That November, Israel normalized relations with Chad, whose leaders had close ties to UAE, which opened up the possibility of dramatically reduced flight times between Ben-Gurion Airport and Latin American destinations. Netanyahu indicated that an agreement to use Sudanese airspace, part of this shortened flight path, was forthcoming, although Sudanese President Omar al-Bashir denied it. After Bashir was overthrown, his successor, Abdel Fattah al-Burhan, met with Netanyahu in February 2020 and agreed to allow aircraft from Israel to fly through Sudanese airspace.[349] Six months later, an El Al flight full of kosher meat inspectors flew over Sudan to Argentina, making the journey two hours shorter than ever before.[350]

The Abraham Accords, the Trump peace team's crowning achievement, were similarly centered on the idea of an Arab-Israeli logistics and energy nexus connecting multiple continents. It was no coincidence that UAE—the Gulf state most deeply involved in aviation, shipping, and logistics—led the wave of Arab-Israeli normalization announcements that began in August 2020. That June, Emirati Ambassador to the United States Yousef Al Otaiba had implored Israelis to set aside plans for West Bank annexation in exchange for relations with the Gulf—dangling a logistical partnership as a carrot. "As a global airline, logistics, educational, media and cultural hub, UAE could be an open gateway connecting Israelis to the region and the world," he said.[351] Indeed, the peace treaty the Emiratis signed with Israel in September 2020 focused on economic cooperation, especially logistics. The treaty's annex called for a "multilateral working group on the *Tracks for Regional Peace* project, an Emirati-Israeli international air corridor, and cooperation on energy projects, including renewable energy and natural gas.[352] By October, major shipping companies, including Mediterranean Shipping Company (MSC), Maersk, and Zim, had established direct lines between Haifa and Jabal Ali.[353] DP World and DoverTower, one of Fogel's many businesses, bid to take over Haifa Port from the Israeli Government.[354]

A similar process played out in the Eastern Mediterranean. Whereas the Obama administration had linked its backing of Israeli natural gas development to the intractable Cyprus problem, Trump had no qualms about moving forward without regional conflict resolution. Indeed, Trump administration officials quite explicitly backed an Egyptian-Israeli-Cypriot-Greek energy alignment over a Russo-Turkish entente. In testimony to Congress in 2018, US Assistant Secretary of State Wess Mitchell highlighted US-Turkish differences while describing Greece as America's "anchor of stability."[355] Later that year, Mitchell described Turkey as a "minority of one" in its view of Cyprus's offshore economic rights and touted Israeli-Greek-Cypriot energy cooperation as a way for Europe to achieve energy security and check Russian, Iranian, and Chinese influence.[356] At an Israeli-Cypriot-Greek summit in Jerusalem in March 2019, US Secretary of State Mike Pompeo hailed their efforts to "defend against external malign influences in the Eastern Mediterranean and the broader Middle East" and their potential to contribute to energy security and diversification, language heavy with anti-Iranian, anti-Turkish, and anti-Russian overtones.[357] Trump's Energy Secretaries, Rick Perry and Dan Brouillette, each attended sessions of the East Mediterranean Gas Forum, which Cyprus, Egypt, Greece, Israel, Jordan, and the PA established in January 2019.[358] The Trump administration even expressed support for the long-mooted Eastern Mediterranean Pipeline, although without providing money for the $7 billion megaproject.[359] In the fall of 2019, Washington condemned Ankara when it sent drill ships and gunboats into Cypriot waters and then signed a maritime boundary agreement with Libya's Government of National Accord subsuming numerous Greek islands.[360]

Just as the Trump administration's support for Israel's geoeconomic ambitions spurred cooperation between Jerusalem and Arab capitals on aviation and shipping, it helped integrate Israel into the international energy market. Despite its gas deals with Egypt and Jordan, Israel could not convince major international energy companies to enter its oil and gas sector until 2020. As late as July 2019, Israel could not even persuade major international energy companies to bid on exploration licenses in its territorial waters. Patrick Pouyanne, CEO of France's Total, noted that the Israeli market was too complex—in other words, geopolitically fraught—for major energy firms to invest in it.[361] But in July 2020, Chevron, one of the world's largest energy companies, purchased Noble Energy and its stakes in Cypriot, Egyptian, and Israeli gas fields and infrastructure.[362] The Abraham Accords, signed a few months later, also seemed to convince international energy companies that they could do business in Israel without jeopardizing their interests in the Gulf. The PA stymied the Emiratis' attempt to join the East Mediterranean Gas Forum in early 2021, but Ramallah could not block Abu Dhabi's state-owned gas company, Mubadala, from buying a 22 percent stake in the Tamar field later that year.[363]

Nor were Israel's US-backed advances in the energy arena limited to natural gas. In October 2020, US Treasury Secretary Steven Mnuchin presided over the signing of an MOU between the EAPC and Med-Red Land Bridge—a joint venture between Petromal, a subsidiary of an Emirati sovereign wealth fund, AF Entrepreneurship—a venture led by two former Israeli refining executives—and Lubber Line Capital, a shell company linked to the Moroccan-Jewish billionaire Yariv Elbaz. According to the agreement, EAPC and Med-Red Land Bridge would use Tipline to enable "eastbound and westbound flows of crude oil between the Mediterranean Sea and the Red Sea."[364] Israeli Environmental Protection Minister Gila Gamliel noted that it would expand the number of oil tankers docking at Eilat from six per year to 50.[365] Not only was UAE willing to supply much of the oil that would make this deal possible, the EAPC agreement, like Chevron's entry into the Israeli gas market, was expected to legitimize Israel's status in international energy markets, which it had historically lacked. With UAE using the pipeline, international energy companies would not need to worry that ships carrying their oil from Eilat to Asian destinations would be denied port access because their cargo came from Israel.

The changed political context also led global telecommunications companies to eye Israel as a potential route for internet cables. Israel had wanted to join fiber optic networks linking Europe with Asia during the 1990s but was thwarted by the breakdown of the peace process and opposition from Cairo, which feared Israel would undercut Egypt's status as the region's communications hub.[366] As of 2020, Israel connected to the internet through three submarine cable networks confined to the Mediterranean; the main network, MedNautilus, was nearly 20 years old. In April 2020, however, the Israeli press reported Google wanted to include Israel in its sprawling, $400 million Blue-Raman internet cable project—a plan officially blessed in 2021.[367]

The Blue-Raman plan called for two cable networks. Blue would begin in Marseille and connect to landing points in Italy, Greece, and Israel, while Raman would begin in Mumbai and land in Oman and Djbouti before snaking up Saudi Arabia's Red Sea coast to Jordan and connecting to Blue.[368] The cable network's division into two parts reflected the lack of diplomatic relations between Israel and most of the Arab states involved, but also clearly anticipated Israeli-Gulf normalization. Indeed, the Israeli high-tech industry anticipated it could provide an infrastructural basis for clusters of data centers in Israel, Jordan, and northern Saudi Arabia, the region central to MbS's Vision 2030.[369] Of note, Blue Raman also posed a direct challenge to the Chinese telecom giant Huawei's PEACE submarine cable network slated to connect Pakistan's Chinese-owned Gwadar port with several East African landing points before winding through Egypt to Europe.[370]

Blue Raman was not the only Israel-Gulf internet cable being planned. In December 2020, the US-based internet company Cinturion unveiled its $1 billion TransEurope-Asia System, also intended to run from Marseille to Mumbai. Notably, Cinturion's project, which had 25 percent backing from an Israeli investment firm, included two routes, one running through Aqaba and along Saudi Arabia's west coast like Blue Raman, and another following Katz's *Tracks for Peace* route from Haifa across northern Jordan to Saudi Arabia's Eastern Province.[371] EAPC, already experienced in moving oil between the Mediterranean and the Red Sea, was also eyeing the fiber optic cable business. By 2021, the company had tasked its director of telecom sales with luring major internet firms to Israel to use the Tipline route for fiber optic cables. EAPC had also begun to discuss attaching these cables to giant data centers in Ashkelon, which could be powered by gas from Israel's Mediterranean fields.[372]

Viewed in their totality, the Abraham Accords and the emerging ties between the Eastern Mediterranean states constituted two embryonic, interconnected US-led geoeconomic networks running along Eurasia's southern rim. And by 2020, India, the UAE's second-largest trading partner—whose Prime Minister, Nerendra Modi, was friendly with both Trump and Netanyahu—was also becoming integrated into that system.[373] Unlike China, the other major Asian purchaser of Iranian oil, India complied with the Trump administration's sanctions on Tehran's energy sector in 2019, after the United States phased out waivers for certain purchasers of Iranian crude.[374] To replace Iranian petroleum, New Delhi bought US oil and gas for the first time, and also increased its imports from other Middle Eastern producers, mainly Iraq, Saudi Arabia, and UAE.[375] The Modi government's decision to comply with US sanctions on Iran coincided with a fallout between India and Turkey, which had aligned with Pakistan after India revoked Kashmir's special status in August 2019. For the next two years, India criticized Turkey's behavior in the Eastern Mediterranean and Syria, met with Armenian, Cypriot, and Greek leaders, and sent two high-level military delegations to Israel, Saudi Arabia, and UAE.[376]

Of course, this emerging US-Mediterranean-Gulf-Indian alignment was not a formal alliance. Its participants had varying levels of ties to China, Iran, Russia, and Turkey, as well as the United States. India, for example, remained focused on its rivalries with China and Pakistan and sought US sanctions waivers to preserve its involvement in Iran's Chabahar port, a node in the INSTC, a long-envisioned trade route between India, Iran, and Russia.[377] The Chabahar issue, like Turkey's NATO membership or Israel's port deals with China, underscored how the United States and maritime Asian states continued to trade with the continental Eurasian powers and preserve bilateral ties. But clearly, a maritime Eurasian economic network was taking shape with US backing, which excluded not only Iran, but also China, Russia, and Turkey to varying degrees.

As far as Turkey was concerned, the Israelis had already accepted that the old entente with Ankara could not be rebuilt and were pleased that the United States largely backed the anti-Turkish coalition Erdogan had largely created himself. Israel also did not especially worry that Washington's growing emphasis on replacing Russian pipeline gas would lead Moscow to see them as a competitor. Even if the East Mediterranean gas issue had been an irritant in the Israeli-Russian relationship, Israeli gas production remained small in comparison to Russia's and the Eastern Mediterranean Pipeline project remained a notional possibility.

Moreover, by 2018, Israeli and Russian interests appeared to be converging in Syria. For Israel, Moscow seemed to be the only power that could orient Assad's regime away from Iran and forestall the creation of an Iranian-dominated corridor stretching to the Mediterranean, which had become a real possibility as the Syrian army and Iranian-backed Shi'a militias seized territory from the Islamic State of Iraq and Syria (ISIS) in eastern Syria and western Iraq. In January 2018, US Secretary of State Rex Tillerson decried Iran's efforts to "create a northern arch, stretching from Iran to Lebanon and the Mediterranean," and vowed to prevent this arch from threatening Syria's neighbors—that is, Israel.[378] Moscow, for its part, recognized US concern over potential Israeli-Iranian conflict offered the key to US sanctions relief for Syria, the bulwark of Russia's Mediterranean position. Between 2018 and 2020, the United States, Israel, and Russia worked out the outline of a deal on Syria: Russia, working through Assad, would compel Iran to withdraw its forces from Syria if the United States, with Israel's quiet encouragement, permitted European or Gulf countries to reengage with Assad and fund reconstruction projects.[379] Israel, in other words, could facilitate, as well as compete with, Russia's interests in the Mediterranean. No final settlement on Syria was reached, but the possibility almost certainly helped postpone both a downturn in Israeli-Russian relations and tighter Russian-Iranian cooperation.

US policy toward China was the source of perhaps the greatest tension between Washington and Jerusalem during the first Trump administration. Here, Israel's conception of itself as a transit state clashed most directly with US strategy. Netanyahu had dreamed of making Israel a byway for US and European commerce with Asia, but the Trump administration wanted Israel to choose between US and Chinese-led trade networks. In March 2019, Pompeo publicly warned that Chinese involvement in Israeli infrastructural projects, including the Haifa Bay Port, could lead the United States to curtail intelligence sharing with Israel—a threat Trump reportedly also made to Netanyahu in private.[380] In June, Netanyahu agreed to establish a committee to vet Chinese investment in energy, infrastructure, and transportation projects in Israel.[381] US pressure probably also influenced the Israeli Government's 2020 decision to reject a bid from a Hong Kong-based company to build the world's largest desalination plant, although senior Israeli officials have denied this.[382] The Israelis were disinclined to cancel their contract with the Shanghai International Ports Group, signed years before the US anti-China push began, but made extensive efforts to clarify that the Chinese Navy would not be able to use the Haifa Bay Port to spy on US Navy ships making port calls there.[383] Israel, likewise, promised the United States in 2020 that Jerusalem would not permit Chinese companies to take part in developing 5G cellular communication networks in Israel.[384] Jerusalem clearly recognized it could not push Washington too far on the China issue, even if distancing itself from Beijing carried a price.

In the end, however, it was not East Mediterranean gas cooperation or even the Abraham Accords that really drew the Eurasian powers together against Israel. By themselves, these developments were irritating but not threatening to Russia and China, although more so for Iran and Turkey. Ultimately, East Mediterranean integration and the Arab-Israeli normalization agreements of 2020 were geopolitically important because they served as precursors to Israeli-Saudi normalization, which threatened to make the Mediterranean-Gulf-India alignment much more dangerous to the Eurasian continental powers.

The Struggle Over Saudi Arabia, 2018-2020

Besides Israel, no country welcomed the Trump administration's May 2018 withdrawal from the JCPOA and its "maximum pressure" sanctions campaign against Iran more than Saudi Arabia.[385] Yet the maximum pressure policy also posed an oil production quandary for Riyadh. Since 2016, the Kingdom had tried to recoup its losses from its failed price war with US shale producers by working with Russia to bring oil prices back up. MbS, who had become crown prince in 2017, badly wanted to list the state-owned Saudi Aramco oil company on an international stock market to raise more money for his Vision 2030 projects. He saw higher oil prices as key to securing the investor confidence needed for an initial public offering (IPO).[386] When the United States withdrew from the JCPOA, however, Trump began pressing Riyadh to produce more oil to compensate for falling Iranian exports.[387] With Congress clamoring for an end to US support for the Saudi war effort in Yemen, MbS did not want to risk the White House's wrath and moved to support US policy. During the latter half of 2018, Saudi Arabia convinced OPEC Plus to delay planned production cuts to compensate for falling Iranian exports, and pumped record levels of oil itself.[388] In 2019, OPEC Plus began cutting production again, but this mainly reflected the producers' desire to alleviate a supply buildup amid falling demand and churning non-OPEC production.[389]

At the same time, Riyadh girded itself for Iranian retaliation by fully reopening the old Iraqi pipeline that ended at the Mu'ajiz terminal, which Saudi Arabia had tested in 2012 in response to Tehran's saber-rattling in the Strait of Hormuz. When the pipeline reopened in 2018, Saudi Arabia had 5 million b/d of crude-loading capacity on its Red Sea coast, expected to increase to 7 million b/d by 2019 and eventually 7.5 million b/d. By the time the process was complete, fully 52 percent of Saudi Arabia's crude-loading capacity would be located in the Red Sea, diminishing, although not negating, the power that Tehran derived from threatening shipping in the Strait of Hormuz.[390]

Tehran, unsurprisingly, accused Riyadh of enabling the Trump administration's efforts.[391] In April and May 2019, the problem became much more significant as US-Iranian tension escalated after sanctions waivers that had permitted a few countries to continue importing Iranian oil expired. The commander of the Iranian Islamic Revolutionary Guard Corps (IRGC) naval forces warned Iran would shut the Strait of Hormuz if Washington did not renew the waivers.[392]

But Tehran's first retaliations came where both Saudi Arabia and UAE thought they could safely transport their oil. On May 12, two Saudi tankers were attacked with naval mines near Fujairah. Just days later, the Houthis claimed responsibility for two drone attacks on pumping stations along the East-West pipeline, Saudi Arabia's principal conduit for supplying its Red Sea oil terminals. The Saudis and Emiratis saw both incidents as Iranian-directed attempts to undermine their Hormuz bypass strategy.[393] For the Saudis, their entire economic modernization agenda—focused on Red Sea development—had been called into question. And in the following months, the Houthis continued to shift their drone and missile attacks from

Saudi population centers to critical infrastructure in the western and southern parts of the Kingdom, including an airport, a desalination plant, and the Shaybah oil field and natural gas processing facility.[394]

By the summer of 2019, the attack campaign expanded to the Strait of Hormuz, with Tehran directly and overtly involved. In early June, two tankers just outside the Strait were targeted with limpet mines; the US Navy released video of an IRGC boat leaving the scene. Later that month, the IRGC announced that it had shot down a US drone over the Strait, claiming it had entered Iran's airspace, a charge the United States denied. But the climactic moment came on September 14, 2019, when 18 drones and 7 cruise missiles struck Aramco facilities at Abqaiq and Khurais in Saudi Arabia's eastern province, taking half of Saudi Arabia's oil production offline. Although the Houthis claimed responsibility, most of the available evidence pointed to Iran.

The United States significantly reinforced its forces in the region and launched Operation Sentinel, a multinational maritime security effort, in July. Yet the Trump administration ultimately chose not to respond militarily.[395] Publicly, Trump made clear his wariness of involving the United States in another Middle Eastern war, and in a tweet questioned why the United States was protecting shipping lanes for other countries for "zero compensation" when it was the "largest producer of Energy anywhere in the world?"[396] Notably, many lawmakers from both parties in Congress were also wary of a US-initiated response to the attacks on Aramco's facilities.[397]

Riyadh's nuclear ambitions also lurked in the background of the debate over US-Saudi relations. In 2017, Saudi Arabia had announced its National Project for Atomic Energy, supposedly to supply clean power to nonpetroleum sectors of its economy and to free up oil and gas for export. Yet it was widely assumed MbS also saw a civilian nuclear program as the basis for a military one, as he had publicly vowed in 2018 that Saudi Arabia would follow suit if Iran attained atomic weapons.[398] In response, the US Congress insisted any civilian nuclear cooperation with Saudi Arabia required the Kingdom to forswear uranium enrichment. In April 2019, Pompeo promised that the Trump administration would "never write a $150 million check to the Saudis and hand them over the capacity to threaten Israel and the United States with nuclear weapons, never."[399] The Abqaiq and Khurais attacks, however, naturally raised the question of how Saudi Arabia would respond to similar attacks perpetrated by a nuclear Iran, especially if Riyadh could not depend on US security commitments.

The Saudis now clearly had an added incentive to seek weapons, investment, and nuclear cooperation from China and Russia, and Beijing and Moscow were eager to capitalize on Riyadh's insecurities. Both had already been working to undermine the maximum pressure campaign—Russia by bartering goods for Iranian oil, China by illicitly purchasing Iranian crude through small, privately owned refineries, nicknamed teapots.[400] But, their ultimate goal was to pry Saudi Arabia out of the United States' orbit. In July, as tension rose in the Strait of Hormuz, Russia began marketing its own maritime security initiative for the Persian Gulf—which China backed—calling on the United States to drop its maximum pressure policy.[401] The Russian plan called for removing all extra-regional forces from the Arabian Peninsula and creating a local counterterrorism coalition—essentially, a Saudi-Iranian arrangement that excluded US and European forces.[402] On September 16, two days after the Abqaiq and Khurais attacks, Putin mockingly suggested that the Saudis could have protected themselves with the S-400 air defense system, which Russia had been trying to sell to Saudi Arabia since 2017.

Yet in the shorter term, Russia and China could not quite deliver what the Saudis wanted, which was military protection from Tehran and investment in Vision 2030 on a level MbS believed only the United States could provide. Although Putin visited Riyadh in October 2019, the Saudis declined to seriously discuss Russia's maritime security plan or an S-400 purchase.[403] Although Russia and China also made an elaborate show of their interest in Saudi Aramco's IPO in November 2019, both powers came up short. Non-Saudi investors—mostly from other Middle Eastern countries—purchased just 23 percent of the shares offered in the company's initial listing.[404] Clearly, verbal support from Moscow and Beijing did not compensate for an arms-length reception from US investors, which forced Saudi Arabia to limit the IPO to its Tadawul stock exchange and accounted for estimates that the company was worth $300 billion less than the amount MbS had claimed.[405] By April 2020, MbS found himself in the unenviable position of quarreling with Russia *and* the United States, after Saudi Arabia initiated a price war with Russia that also infuriated US shale producers smarting from the COVID-19 pandemic. After Trump reportedly threatened to end military support for the Kingdom if prices did not rise, OPEC Plus agreed to cut output by 9.4 million b/d, roughly 10 percent of global production.[406]

Clearly, even if Saudi Arabia wanted stronger security guarantees and more investment from the United States, MbS did not quite see China and Russia as adequate substitutes. Even Riyadh's nuclear flirtations with Beijing, which by 2020 had helped Saudi Arabia map the entirety of the Kingdom's uranium deposits, still amounted to hedging rather than a break with Washington.[407] The question was not just what Saudi Arabia could do to show it had other potential strategic partners, but also whether it could offer more positive inducements to the United States in exchange for stronger guarantees of military support and investment. And, as in 2016, the obvious path for MbS was to normalize relations with Israel.

Throughout this period, the Israeli Government positioned itself as Saudi Arabia's advocate in the US Congress and its partner in pushing the Trump administration to take a harder line on Iran's campaign against commercial shipping and energy infrastructure in the Gulf. In August 2018, after Houthi attacks halted Saudi oil transports through Bab al-Mandab, Netanyahu publicly warned that the Israeli Navy would join any international coalition that formed to keep the waterway open.[408] After Saudi Government agents murdered Jamal Khashoggi, a *Washington Post* columnist and prominent MbS critic, in October 2018, Netanyahu and Israeli Ambassador to the United States Ron Dermer publicly stressed the importance of Saudi stability.[409] When Iran's attacks in the Strait of Hormuz began the following year, Katz told the Knesset Foreign Affairs and Defense Committee that Israel would provide the US-led Operation Sentinel task force with intelligence.[410] In response to Washington's nonresponse to the attacks on Abqaiq and Khurais, Netanyahu issued a rare critique of the Trump administration. "Iran's brazenness in the region is increasing and even getting stronger in light of the absence of a response," he warned in October 2019.[411]

The signing of the Abraham Accords the following year naturally raised the question of whether Saudi Arabia would embrace Israel's overtures and join the emerging Mediterranean-Gulf-India network. Yet, although Saudi Arabia agreed to permit flights between Israel and UAE through its airspace, and MbS, according to press reports, met with Netanyahu and Pompeo that November, no agreement materialized before the end of Trump's presidency.[412] Undoubtedly, Riyadh saw its willingness to normalize relations with Israel as a powerful card to play with incoming President Biden, who had vowed to treat Saudi Arabia as a pariah because of its human rights record.[413] In any case, Saudi Arabia would have almost certainly demanded a much higher price for normalization than Bahrain, Morocco, Sudan, or UAE, which were prepared to accept US compensation in the form of investment, sanctions relief, arms sales, or recognition of territorial claims. The Saudis wanted guarantees of US protection robust enough that Congressional approval would have probably been required.

To the White House, if not necessarily Congress, the price probably would have been worth it, and not just because of the political capital that would have come with negotiating a peace treaty between Israel and a leading Arab and Muslim state. Trump administration officials, encouraged by the Israelis and Emiratis, were coming to see Israeli-Saudi normalization as a way to transform the entire Middle East economy and particularly, its energy networks by rerouting the way goods and fuels could travel. By September 2020, Israeli officials had already begun to discuss connecting Saudi Arabia's terminal at Yanbu to the EAPC network, which would give the country another way to export oil to the Mediterranean without having to ship it through the Strait of Hormuz, Bab al-Mandab, or the Suez Canal.[414] When US Secretary of Energy Brouillette visited the region in December 2020, he described a potential energy network encompassing Egypt, Israel, Jordan, and the Gulf, in which pipelines for oil, natural gas, and hydrogen replaced shipping routes and reduced the importance of maritime chokepoints.[415] It was a vision that, if fully implemented, would drastically reduce the power of China, Iran, Russia, and Turkey to control Eurasian trade and energy flows.

On the surface, none of these developments inspired a strong or unified reaction. Turkey joined Iran in condemning the Abraham Accords, and Turkish Airlines suspended Istanbul-Dubai flights, a sign of Ankara's anxiety over Israeli and Emirati aspirations to undercut Turkey's position as an aviation hub.[416] In September, Erdogan hosted Saeih al-Arouri, the deputy political chief of Hamas, along with Jibril Rajoub, the secretary-general of the Fatah movement, who vowed to work together toward intra-Palestinian reconciliation to "confront all conspiracies," namely those hatched by Israel, the Gulf states, and the United States.[417] Russia and China, however, issued fairly muted responses to the Abraham Accords, merely asserting that Israeli-Gulf ties should not come at the Palestinians' expense or marginalize Iran, rhetoric reflecting Moscow and Beijing's standard presentation of themselves as friends to all in the region.[418]

Other signs, however, indicated that the Eurasian powers were drawing together against the Israeli-Gulf alignment, even before the Abraham Accords were signed. In December 2019, China, Iran, and Russia held an unprecedented joint naval exercise in the Indian Ocean and Arabian Sea, which Iranian media hailed as a harbinger of a "new triangle of sea power" and the end of the US presence in the region.[419] By October 2020, Russian warships had begun escorting Iranian oil tankers en route to Syria, a protective measure mainly targeting the Israeli Navy, which carried out multiple covert attacks on IRGC ships between 2018 and 2021, costing Tehran billions of dollars, according to Israeli press reports.[420] And, in March 2021, China and Iran signed a long-discussed strategic partnership agreement committing Beijing to invest $400 billion in Iran, particularly in transit infrastructure, in exchange for a steady supply of discounted oil and expanded military and intelligence cooperation.[421]

The agreement affirmed China's interest not only in a steady supply of Iranian oil but also in Iran as a transit state and an instrument to undercut Western (and by extension, Israeli) influence in the Gulf. Notably, Tehran and Beijing committed to jointly developing port facilities at Chabahar—alongside Indian-Iranian projects—and an oil refinery at Jask, which like Chabahar was outside the Strait of Hormuz on the Indian Ocean.[422] If fully implemented, the agreement would give China a trade corridor from its western regions to the Indian Ocean through Gwadar and Chabahar, bypassing the Strait of Malacca, and the ability to import refined petroleum products from Iran even if the Strait of Hormuz were closed.

Along the vast arc of Eurasian coastline between India and Greece, separate geoeconomic networks were forming. Through 2021, Israel mostly benefited from the polarization, largely because China and Russia continued to insulate their bilateral relations with Jerusalem from their fraying ties to the United States and increasing alignment of interests with Turkey and Iran. But by 2021, it already seemed as though Israel was inching closer to the possibility of conflict with all the Eurasian powers at once—a danger that would become much more realistic after Russia invaded Ukraine in February 2022.

Toward Energy War, 2021-2025

Unlike some of his predecessors, President Joseph Biden had no interest in triangulating between China and Russia. Biden and his advisers came into office in 2021 determined both to maintain Trump's tough policies against Beijing and to do more to hold Russia accountable for its "reckless and adversarial actions."[423] The United States would pursue this policy of dual containment by strengthening relations with allies, specifically democracies, in Europe and the Indo-Pacific.[424] To the extent that the United States would engage any of the continental Eurasian powers, it would be Iran; Biden and most of his advisers viewed Trump's withdrawal from the JCPOA as a mistake.[425] The Gulf states—disinterested in confronting Moscow and Beijing, wary of talk about democracy and human rights, and fearful of US appeasement of Iran—drifted away from Washington.

Russia's 2022 invasion of Ukraine threw global energy markets into turmoil, however, and drew Beijing, Moscow, and Tehran closer together. India and the Gulf countries were the key swing states in the contest between this coalition of autocracies, and one made up of the United States and its allies—and Saudi-Israeli normalization offered a mechanism for locking those countries into the US orbit. Washington's pursuit of this goal threatened China, Iran, Russia—and also Turkey, which since 2021 had been inching its way toward improved relations with the United States, the Gulf, and even Israel. This alignment of the continental Eurasian powers against Saudi-Israeli normalization could not have been more geopolitically ideal for Hamas. Its leaders recognized this when they made the decision to attack Israel on October 7, 2023. During the ensuing war, the Iranian-led Axis of Resistance failed to significantly disrupt global oil markets or cut off Israel's commercial ties to the outside world. But the Axis did succeed in impeding Israeli-Saudi normalization and in buying time for the Eurasian powers' competing trade corridor projects to advance instead.

The Biden Administration and the Middle East: No Exit

Biden took office in January 2021 determined to de-emphasize the Middle East and pivot to Asia.[426] His advisers thought the Trump administration had invested too much time on the Middle East and too eagerly took sides in its disputes. Mara Karlin and Tamara Coffman Wittes, two Obama administration veterans who returned to senior positions under Biden, complained that the United States was stuck in a "Middle Eastern purgatory—too distracted by regional crises to pivot to other global priorities but not invested enough to move the region in a better direction."[427] With ISIS largely defeated in Iraq and Syria, the Biden foreign policy team wanted to reduce the US military footprint in the Middle East and foster the rapprochement between the Gulf and Iranian-led blocs that Obama had unsuccessfully sought following the

JCPOA. "Despite Tehran's advances on several fronts, the basic power politics of the region tilt toward the eventual emergence of an uneasy, sometimes messy balance between Iran and its proxies on one side and a Saudi led Sunni bloc on the other," wrote Jake Sullivan, Biden's national security advisor.[428]

This emphasis on Middle East de-escalation was also linked to the new administration's foreign economic policy. The Trump administration had unreservedly championed domestic oil and gas production and (with the exception of the early COVID-19 period) encouraged the Gulf states to produce significant amounts of oil, while regarding US partnerships in Europe and East Asia with skepticism. The Biden team, on the other hand, sought to advance clean energy projects and tighten economic links to Europe and the Indo-Pacific states. This outlook militated against close ties to the domestic shale industry and the Gulf, as well as measures designed to maximally suppress Iranian oil exports. The maximum pressure policy had strained US economic links with allies who wanted to trade with Iran and helped China and Russia entice them instead, argued Brett McGurk, who had resigned from Trump's State Department but returned to handle the Middle East for Biden's National Security Council.[429] If Washington wanted to compete with Beijing and Moscow, McGurk argued, it needed to ease tension with Tehran to prevent a continental Eurasian bloc from forming and to keep maritime Eurasian countries from flirting with Iran out of frustration.

Early 2021 was thus filled with gestures reversing the Trump administration's Middle East policies, with an emphasis on de-escalating US-Iranian tension and signaling US displeasure with Saudi and (to a lesser extent) Emirati actions. The Biden administration resumed indirect nuclear talks with Iran, revoked an executive order designating the Houthis a terrorist organization, and declassified intelligence implicating MbS in Khashoggi's killing.[430] Biden ended US military support for Saudi offensive operations in Yemen and appointed a special envoy to try to help bring an end to the war.[431] The administration froze the planned sale of F-35 jets to UAE, which Trump had authorized, conditioning it on the Emiratis forgoing 5G telecommunications from China's Huawei firm, which US officials saw as an intelligence risk.[432] At the same time, Biden, determined to move the US economy away from fossil fuels and to fight climate change, rejoined the 2015 Paris Agreement, from which the Trump administration had withdrawn, and pledged to cut US greenhouse gas emissions by 50 percent by 2030.[433] Biden also halted new oil and gas leases on public lands and waters in the United States.[434]

This mix of policies, however, increased Iran's appetite for sanctions-busting and regional aggression and discouraged Gulf and domestic US energy production. Apparently confident that Washington would not vigorously enforce sanctions at the risk of precluding a new nuclear deal, Tehran stepped up the volume of petroleum it was illicitly shipping to China. Iranian oil exports, which had fallen as low as 500,000 b/d in 2020, roared back after the US presidential election, reaching 800,000-1,000,000 b/d by February 2021.[435] Houthi drone and missile attacks on Saudi oil infrastructure likewise increased, doubling during the first nine months of 2021 compared to the previous year.[436] US shale oil producers, wary of the new administration's policies, held back from investing in drilling projects, driving US crude production in 2021 below 2020 levels.[437]

In theory, foreign producers could have helped restrain rising oil prices and inflation, which by August 2021 reached a 13-year high in the United States.[438] Yet, because of the Biden administration's Yemen and

Iran policies and its pronouncements on the Khashoggi affair, the Saudis were in no mood to throw the White House a lifeline. In September 2021, when Sullivan visited Saudi Arabia, MbS shouted, according to at least one press account, that he never wanted to hear about Khashoggi again and Saudi Arabia would not export more oil.[439] The next month, OPEC Plus declined to increase production, and crude prices hit $82/barrel for the first time in three years.[440]

And it was not just oil prices that posed a problem. By the fall of 2021, natural gas prices in Europe were 20 times higher than the previous year, largely because Gazprom had diverted supplies from EU markets to more pro-Russian customers. Gazprom's exports to Turkey increased 63 percent and doubled to China. EU customers, however, received even less gas than in 2020, when COVID-19 had sharply depressed demand.[441] The United States accused Moscow of trying to force Germany to begin using the newly constructed Nord Stream 2 pipeline, which German and EU regulators had not yet certified and whose opponents feared would widen Russia's freedom to maneuver against Ukraine.[442] Indeed, by November 2021, the US Intelligence Community had already noted that Russia's preparations for a full-scale invasion of Ukraine, and Moscow's manipulation of natural gas markets, combined with Washington's standoff with OPEC Plus, boded ill for the United States and its allies' ability to resist such aggression.[443] To effectively sanction Moscow, the United States and the EU would need to target Russia's energy sector. But how could an economic pressure campaign against Moscow work if energy prices were already hurting Western consumers and Russia could easily find Asian buyers for its oil and gas? Western Hemisphere producers could not fill the void on their own; Middle Eastern oil and gas producers, who had been reorienting toward Asia, would need to be drawn back to Europe.

Around this time, the Biden administration took a more active interest in building on the Abraham Accords and Trump's Eastern Mediterranean gas deals. Until this point, senior administration officials had supported the agreements despite clearly believing their predecessors had ceded too much to UAE and other Arab parties. Biden officials initially talked about normalization agreements rather than use the Abraham Accords moniker, with its religious overtones. They suspended the Abraham Fund, a $3 billion investment fund established for private sector projects promoting regional integration.[444] The administration also viewed Operation Guardian of the Walls—the May 2021 Israeli-Hamas conflict that also saw vicious intercommunal violence inside Israel—as evidence the Israeli-Palestinian problem had been allowed to dangerously fester. When Biden sent US Secretary of State Antony Blinken to the Middle East after the conflagration, the White House pointedly said it would "continue our administration's efforts to rebuild ties to, and support for, the Palestinian people and leaders, after years of neglect."[445] The United States resumed funding for UN aid to the Palestinians that Trump had frozen and promised to reopen the Consulate-General in Jerusalem, which the Israeli Embassy had absorbed in 2019.[446]

But by the fall of 2021, the strategic context had changed. Increasingly, Arab-Israeli normalization agreements tied to security agreements were seen as a way to unlock more natural gas for Europe and to lure Gulf oil producers away from the Russo-Chinese partnership and OPEC Plus. During Sullivan's meetings with MbS in September, the Saudi Crown Prince had made clear that he was still interested in joining the Abraham Accords in return for an upgrade in US-Saudi relations.[447] Washington also felt it had a more convivial set of partners in Jerusalem. In June 2021, for the first time in 12 years, Netanyahu and the Likud party found themselves in the opposition benches in the Knesset. A fractious coalition of eight parties headed by Naftali Bennett, a religious nationalist who had reinvented himself as an institutionalist antidote to Netanyahu's populism, took their place. The new coalition was shaky, and the inclusion of the Islamist Ra'am party sparked controversy, but Bennett badly wanted to prove he could get along with Biden better than Netanyahu had. He publicly vowed not to involve himself in US party politics.[448]

This period saw some US-Gulf-Israeli convergence around a regional integration agenda. In September, Blinken marked the Abraham Accords' first anniversary by meeting virtually with his Bahraini, Emirati, Israeli, and Moroccan counterparts. He praised the Accords and referred to them by their original name.[449] In October, he hosted a second virtual meeting with the Emirati, Indian, and Israeli foreign ministers to discuss "expanding economic and political cooperation in the Middle East and Asia, including through trade, combating climate change, energy cooperation, and increasing maritime security."[450] In November, US climate envoy John Kerry helped broker a trilateral deal among Israel, Jordan, and UAE to build Emirati-funded solar farms in Jordan to power a desalination plant in Israel which, in turn, would supply Jordan with badly needed water.[451] In December, US energy envoy Amos Hochstein visited Saudi Arabia, Qatar, and UAE to discuss collaborating on a 21st century clean energy architecture and infrastructure development in connection with the Build Back Better World Initiative, Biden's alternative to China's BRI.[452] These efforts did not directly connect to the gathering storm in Europe over Ukraine, but showed Washington still hoped a Gulf-Israeli entente could become part of a broader network of partnerships aimed at countering Beijing. Despite Biden officials' emphasis on clean energy projects, another unstated US hope was that Arab-Israeli integration could lead to US-Gulf coordination on increasingly volatile oil markets.

In addition, Hochstein announced in October 2021 that he would mediate a Lebanese-Israeli maritime boundary agreement, which—paired with allowing Lebanon to move Egyptian gas through the Arab Gas Pipeline—seemed aimed at stopping the country's economic decline and preventing outright Hizballah control. A maritime deal was also widely seen as a prerequisite for gas extraction from Israel's Karish field, which could free up gas for export to Egypt's LNG terminals and perhaps onward to gas-needy Europe.[453]

Nonetheless, until the Russia-Ukraine war started in February 2022, Israeli and Gulf leaders struggled to formulate a regional policy they felt sure Washington would support. Bennett and his colleagues repeatedly felt obligated to distance themselves from aspects of Netanyahu's regional integration legacy, which seemed too fossil-fuel focused. In October, Bennett and Israeli Energy Minister Karin Elharrar pledged Israel would work toward carbon neutrality by 2050, a target more ambitious than that of the previous government. That December, Elharrar announced Israel would pause granting licenses for natural gas exploration, calling 2022 Israel's "year of renewable energy."[454] The same month, Environmental Protection Minister Tamar Zandberg announced she would not raise the amount of oil EAPC could transport through Eilat beyond 2 million tons per year, well below the 15-17 million tons envisioned in the company's agreement with Med-Red Land Bridge.[455] This meant Israel would continue to transship oil from Russia and Central Asia from Ashkelon to Eilat for Asian customers but would not cooperate with UAE in transshipping oil to Europe.[456] The new government also shelved plans for an Eilat railway, which Netanyahu had resurfaced in 2019.[457] Yet, it was unclear if any of these choices improved the Biden administration's perception of regional integration efforts. Indeed, in January 2022, Washington told Israel and the other prospective Eastern Mediterranean

Pipeline countries that it would no longer support the endeavor, because it did not want to back major fossil fuel infrastructure projects or contribute to regional tensions—code for "anger Turkey."[458]

Washington's interest in de-escalating tension with Iran, however, unsettled relations with the Gulf and Israel. Although Bennett tried to keep differences with Biden over Iran private to give political ammunition to the Netanyahu-led opposition in the Knesset, the Gulf states' differences with Washington stayed stubbornly in the public eye. In January 2022, Emirati leaders were infuriated by Biden's refusal to redesignate the Houthis as a terrorist organization, despite a lethal missile and drone attack on Abu Dhabi.[459] The Saudis rankled at Washington's decision to remove a Patriot missile battery from the Kingdom despite persistent Houthi attacks.[460] And signs emerged that uncertainty about Washington's willingness to defend them would lead the Gulf states' to mend fences with Tehran. UAE began sending tentative diplomatic feelers to Tehran in 2019, and efforts accelerated noticeably after Biden took office. In April 2021, Saudi Arabia began a series of exploratory talks with Iran, hosted by Iraq.[461] In December 2021, Emirati National Security Advisor Tahnoun bin Zayed visited Iran.[462]

Perhaps at a different time, Washington might have quietly welcomed Gulf-Iranian diplomacy. Obama, after all, called for "sharing the neighborhood." But by late January 2022, oil prices had hit a seven-year high of $88 per barrel, a revived Iranian nuclear deal remained elusive, and a full-scale Russian invasion of Ukraine loomed.[463] It seemed very likely the United States and its allies would need to curtail purchases of Russian oil and gas without regaining access to Iranian oil, while the Gulf states, frustrated with Washington, shifted toward China, Iran, and Russia. In early February, OPEC Plus said it would increase oil production by 400,000 b/d, which seemed insufficient to bring prices down, especially given the cartel was consistently falling 250,000 b/d short of its planned quotas.[464] Yet, UAE and Saudi Arabia—the two countries able to compensate for others' missing barrels—did not want to do so. In mid-February, Saudi Arabia's King Salman refused Biden's request to consider producing more oil,[465] making the United States vulnerable to an energy shock as it moved toward confrontation with Russia over its aggression against Ukraine, unless it could find a way to appease the Saudis.

The "Opportunity" of Ukraine

On February 24, 2022, Russia invaded Ukraine, beginning the first interstate war in Europe since World War II. The invasion disrupted global trade patterns, particularly energy markets. Between March 2022 and January 2023, sanctions and pipeline closures dropped the monthly value of Russian gas exports to the EU from $5.3 billion to $2.2 billion and the value of its oil exports from $10.9 billion to $3.6 billion.[466] Because it depended on pipelines to Europe, Russia struggled to reroute gas to other markets, and its total natural gas exports fell from 268 bcm in 2021 to 164 bcm in 2022.[467] Moscow had better luck finding new customers for its oil, which could be transported by ship. In 2022, Russia held steady at 7.8 million b/d thanks largely to increased purchases by China, India, and Turkey.[468]

Oil prices rose sharply in the winter and spring of 2022 as Russia slowly adjusted its exporting patterns because global oil inventories were low. In early March, Brent crude prices reached $139 per barrel, the highest level since 2008.[469] Prices remained high until June, when the United States and other countries released supplies from their stockpiles and global demand began to fall.[470] The disruption increased the Middle East's importance to both the United States and Europe.

Given Russia's military presence in Syria, as well as its significant Jewish population, Israel was wary of alienating Moscow by aligning too closely with US and EU efforts in support of Ukraine. Indeed, Bennett's opening gambit was to suggest Israel as a potential mediator to both Putin and Ukrainian President Volodymyr Zelenskyy.[471] Yet, Israeli Government officials seemed to assume Moscow would not strongly react if Israel helped replace Russian gas supplies to Europe. In early March 2022, the EU announced plans to cut gas imports from Russia by two-thirds by year's end, replacing roughly half with LNG imports from the United States, Qatar, and Mediterranean sources.[472] EU officials wanted Israel to sell more gas to Egypt, which was struggling to meet domestic demand, to free up additional volumes of Egyptian gas to ship to Europe.[473] Israeli Energy Minister Elharrar soon announced that Israel would lift its freeze on exploration for new gas finds,[474] and a few weeks later, she and her Egyptian and EU counterparts agreed to "work collectively toward enabling a steady delivery of natural gas to the EU."[475]

In 2022, Egypt's LNG exports—90 percent of which went to the EU—jumped 14 percent.[476] (The previous year, 71 percent of Egypt's LNG exports had gone to Asia).[477] Egypt was able to export more LNG to Europe because Israel sold Egypt 6.3 bcm of gas in 2022, roughly triple that sold in 2020.[478] But the goal, according to new Israeli Prime Minister Yair Lapid, was for Israel to indirectly replace 10 percent of the roughly 158 bcm of gas Russia had been providing the EU yearly before the Ukraine war.[479] To do so, Israel needed either to produce more gas from active fields or to begin producing from the Karish field, stalled by Jerusalem's maritime boundary dispute with Beirut. And so, over the spring and summer of 2022, US Special Envoy Hochstein intensified efforts to reach an agreement, finalizing a deal in October.[480] Negotiations were tense, marked by Hizballah's threats of war and the Israeli Navy's downing of Hizballah's drones.[481] Ultimately, however, Hizballah chose not to fight, Lebanon was eager to develop its own Qana gas field, and Israeli wanted to capitalize on the favorable market conditions the Ukraine conflict had created.

Nonetheless, slumping Egyptian gas production, US disinterest in new fossil fuel projects, and lingering Israeli distrust of Turkey limited the impact of increased East Mediterranean gas production on broader Eurasian geopolitics. To maximize LNG exports, Egypt dimmed streetlights and cut power to government buildings each evening, but could not increase its own faltering gas production.[482] By June 2023, it was exporting no LNG despite a steady increase in imports from Israel.[483] And, although Israel approved a new pipeline to Egypt in May 2023 to increase gas exports, it still lacked an alternative to Cairo's LNG terminals for supplying European markets. US Undersecretary of State Victoria Nuland and other senior officials made clear the Eastern Mediterranean Pipeline was a nonstarter because it could not address Europe's immediate gas emergency. "We don't need to wait for 10 years and spend billions of dollars on this stuff. ... Ten years from now we want to be green," Nuland said in April 2022.[484]

The option of the Haifa-Ceyhan gas pipeline remained, and Turkish optimism about reviving the project contributed to a warming of Israeli-Turkish relations in 2022, beginning with Israeli President Yitzhak Herzog's visit in March to Ankara.[485] Yet, senior Israeli and Turkish officials made no real progress toward an agreement. Netanyahu, once again premier by January 2023, discussed a possible gas pipeline to Turkey with Erdogan that September, but he also continued to weigh building LNG terminals on Cyprus.[486] The Israelis were clearly in no rush to commit themselves to a Haifa-Ceyhan pipeline, having been burned by Erdogan before and recognizing that any deal would require yet another round of fruitless talks on Cyprus.

Using Europe's gas crisis to reorient Turkey from Russia and Iran was attractive to Israel, however, as was a related effort involving Iraq. Although Iraq's Kurdistan Regional Government had been selling oil to Turkey since 2014, it had not sold gas to Ankara or to the Iraqi central government, which together bought 90 percent of Iran's gas exports.[487] In early 2022, executives from the Iraqi Kurdish oil company KAR Group, along with Israeli, Turkish, and US officials, began discussing building a gas pipeline from northern Iraq to Turkey to displace Iranian gas and allow Ankara to transship more to Europe, according to press reports. In mid-March, the IRGC fired several missiles at what it claimed was a Mossad base, but was really the home of KAR Group CEO Baz Karim Barzanji.[488] Throughout the spring and summer of 2022, Iran carried out more attacks on Kurdish gas infrastructure,[489] intended to weaken Iraq's bloc of anti-Iranian parties, keep Baghdad dependent on Iranian gas, and prevent Ankara from drifting too close to Israel and the West.

Judging from the outcomes, Tehran's intimidation worked. The Kurdish gas pipeline project remained stalled, and in October 2022, Erdogan and Putin met and agreed to study how Russia could export more gas through the Turkstream pipeline to Europe.[490] In 2023, Turkey received 52 percent of its gas imports from Russia and Iran, just slightly less than the 56.7 percent in 2022.[491]

So, although Israeli natural gas production generated a great deal of drama during 2022-2023, Jerusalem did not significantly assist Europe in weaning itself off Russian gas. Jerusalem also failed to revive the Eastern Mediterranean Pipeline project or the Haifa-Ceyhan option or drive new wedges between Iran and Turkey. Where Israel did seem poised to play a major role, however, was in helping lock Saudi Arabia into a US-dominated maritime Eurasian economic alignment. And this was of potentially great consequence to China, Iran, Russia, and Turkey.

The Struggle Over Saudi Arabia—Again

The war in Ukraine brought out latent tension among the Biden administration, the Gulf states, and India in many areas, but oil was at the top of the list. Saudi Arabia and UAE did help replace Russian oil exports to Europe. By the end of 2022, the volume of northbound oil shipped through the Suez Canal and the Sumed pipeline had risen nearly 50 percent from 2020, most of it from Iraq, Kuwait, Saudi Arabia, and UAE.[492] The Gulf states, likewise, exported more oil to Japan, South Korea, and Taiwan—countries that had all shunned Russian oil to some extent.[493] But in other ways, the Gulf states' oil dealings with Moscow were much more problematic from the US perspective. The Gulf countries began buying huge amounts of Russian crude, both to free up more of their own oil for export and to refine and sell to European customers. The Gulf states—mainly Kuwait, Saudi Arabia, and UAE—sent 32 percent more refined petroleum products (702,000 b/d) to Europe in 2022 than in 2021, much of it originating in Russia.[494] India did the same: from January 2022 to April 2023, New Delhi's exports of refined petroleum products to the EU increased 572 percent, thanks mostly to Indian purchases of discounted Russian oil.[495] Much of this activity did not violate US or EU sanctions, but it undeniably benefited Moscow and indirectly helped preserve European dependence on Russian oil.

The problem of reexported Russian oil, however, paled in comparison to what Washington saw as unacceptably inadequate OPEC Plus production. Despite the Biden administration's repeated pleas to pump more oil, OPEC Plus stuck to a small planned production increase of 400,000 b/d in April 2022[496] and an only slightly higher increase to 432,000 b/d in May,[497] professing that market conditions did not justify larger increases. Although OPEC Plus professed no desire to get involved in geopolitics, it was clear Saudi Arabia and UAE, the only members with significant spare production capacity, wanted to punish the United States. According to press reports, MbS and Mohamed bin Zayed (MbZ) refused to even accept Biden's phone calls.

The Saudi Government had warned in March 2022 that Houthi strikes on Saudi energy infrastructure would limit the Kingdom's production capacity if the international community did not stand "decisively against the terrorist Houthi militia," a barely veiled critique of US inaction against the Yemeni group.[498] Riyadh also dropped hints that it was exploring oil sales in Chinese yuan, which would undercut the strength of the dollar and the power of US sanctions—including, of course, against Russia.[499] But Riyadh's ultimate vote of no-confidence in Washington came on April 1, 2022, when Saudi Arabia finally accepted a UN-brokered ceasefire in Yemen days after Houthis attacked an oil storage facility just 20 miles from the Jeddah racetrack where Saudi Arabia planned to host the Formula 1 Grand Prix race.[500] The Saudis publicly hinted the attack resulted from US indifference. Their truce implied they had decided their economic ambitions depended on disengagement from Yemen and rapprochement with Iran. Although Biden hailed the Saudi decision as a welcome step toward de-escalation, for Riyadh, it was also an admission of failure, and its leaders' bitterness was bound to color the US-Saudi dialogue over oil prices.[501]

Clearly, the Biden administration had problems with its Middle Eastern allies. If Washington wanted their support on Ukraine, some diplomatic handholding was in order. And so, at the Israelis' suggestion, a planned Secretary of State Blinken visit to Jerusalem in late March morphed into a regional summit at Sde Boker in the Negev, attended by the foreign ministers of Bahrain, Egypt, Morocco, and UAE. The participants later agreed the summit would become an annual exercise, to be known as the "Negev Forum," supported by working groups on clean energy, education and co-existence, food and water security, health, regional security, and tourism.[502] On the first day of the summit, US Special Envoy for Iran Rob Malley remarked that a new nuclear deal with Tehran, which the Iranians sought to tie to an end to US sanctions against the IRGC, was "not inevitable."[503] Because the Israelis and their Arab partners warned Blinken during their meetings in the Negev not to delist the IRGC, the implied connection between a tougher US policy toward Iran and stronger Arab and Israeli support for the Ukraine war effort was obvious.

Throughout the spring of 2022, Washington expanded its effort to soften Saudi and Emirati resistance to increasing oil production in support of Ukraine. In early April, CIA Director William Burns met with MbS in Jeddah.[504] When MbZ's brother Khalifa bin Zayid died in May, Vice President Kamala Harris, Burns, Blinken, and Defense Secretary Lloyd Austin attended his funeral, underscoring the importance they attached to relations with UAE.[505] More important was a mid-June announcement that Biden would visit Israel and the West Bank, then fly to Saudi Arabia to meet with the leaders of the GCC Plus Three—Saudi Arabia, UAE, Qatar, Kuwait, Oman, Iraq, Egypt, and Jordan.[506] It was clearly not a trip Biden wanted to make—he characterized it as merely attending the same international meeting as the Crown Prince.[507] Yet, in early June, OPEC Plus announced it would raise production to 650,000 b/d for July and August, nearly 50 percent more than previous production hikes—a sign US efforts to mend fences with the Gulf might finally be paying off. "Engagements do deliver results. Only 10 days ago, of course, we welcomed the announcement from OPEC Plus, where Saudi Arabia is the leading producer and exporter, to raise its plant supply increases this summer by 50 percent," a senior administration official told reporters on June 13.[508] The Saudis reportedly privately promised additional increases of 200,000 b/d from September through the end of 2022.[509] The prospect of further oil production increases was just too important for Biden to forgo, despite the political humbling that the trip portended.

By June, the Biden administration also seems to have believed there was potential for movement toward Saudi-Israeli normalization. Politically, this gave weight to Biden's claim he was not going to Saudi Arabia just to kowtow for lower oil prices. But the administration also clearly saw a renewed US commitment to an Israeli-Saudi agreement as a way to signal that Washington still saw Saudi Arabia as an important piece of its regional security architecture. During Sullivan's trip to the Kingdom in September 2021, MbS had revived the issue of the islands of Tiran and Sanafir, which Egypt and Israel had agreed to return to Saudi control, but where Multinational Force and Observers (MFO) troops remained, preventing the Saudis from opening the islands to tourism and commerce. In the months leading up to Biden's July visit, US, Israeli, and Saudi officials negotiated over monitoring arrangements that would replace the MFO peacekeepers, enabling the full transfer of Tiran and Sanafir to Saudi Arabia. Israel, for its part, wanted Riyadh to permit Israeli airlines to cross Saudi airspace and allow its Muslim citizens to fly directly to the Kingdom for pilgrimages to Mecca and Medina.[510]

In early July, Biden published an op-ed in the *Washington Post* arguing that steps toward Saudi-Israeli normalization were critical to containing the continental Eurasian axis. To mollify critics of rapprochement with the Saudis, Biden claimed to have "reversed the blank check policy that we inherited," but added that he always sought "to reorient—but not rupture—relations with a country that's been a strategic partner for 80 years." Biden pointed out that Saudi Arabia was working with the United States to help stabilize oil markets and that partnership with Riyadh was necessary to counter Russia's aggression and outcompete China.[511] He noted that he would be the first US president to fly from Israel to Jeddah, "a small symbol of the budding relations and steps toward normalization between Israel and the Arab world, which my administration is working to deepen and expand." Clearly, Biden now saw Israeli-Saudi normalization—and expanded security relations with Riyadh that it would enable—as anchoring Saudi Arabia to the US-led alliance network, despite the oil markets shifts that had pushed MbS toward Moscow and Beijing.

Biden's mid-July trip indeed involved a massive effort to demonstrate US commitment to the Israel-Gulf-India entente. During his stop in Jerusalem, he and Lapid held a virtual meeting with Modi and MbZ, inaugurating a formal partnership among India, Israel, UAE, and the United States—to be known as the I2U2, or Middle Eastern Quad. They promised to work together on water, energy, transportation, space, health, and food security projects, but what mattered just as much was the image of a US-led economic network linking the Middle East and the Indo-Pacific that excluded China, Russia, and Iran.[512] Notably, just after the I2U2 partnership was announced, Israel announced it would award the tender for privatizing Haifa Port to the Israeli firm Gadot and India's biggest private port operator, the Adani Group. Adani's entry into the Israeli maritime sector suggested the Gulf-Indian-Israeli maritime economic network was continuing to gel, and the I2U2 announcement signaled that it had the full support of the United States.[513]

In Saudi Arabia, Biden and MbS finalized the agreement to remove the MFO from Tiran Island. Saudi Arabia agreed to let all air carriers—including Israeli airlines—fly through its airspace, noting it would "cement the Kingdom's position as a global hub connecting Africa, Asia, and Europe."[514] There was praise for Vision 2030—the usual talk of stemming Iran's nuclear ambitions and malign regional behavior, and promises of cooperation on clean energy projects and cyber security.[515]

But Biden's bid to secure a Saudi commitment to increase oil production, which would have strained the OPEC Plus partnership between Moscow and Riyadh, remained stymied by bad blood over the Khashoggi affair and probably the Saudis' desire to recoup losses suffered during years of lower oil prices. The signs of trouble to come were evident when Biden, arriving in Jeddah, was greeted by the governor of Mecca rather than MbS or King Salman. When the Crown Prince and Biden met, they exchanged an awkward fist bump rather than a handshake.[516] Biden later publicly said he told MbS that he held the Crown Prince personally responsible for Khashoggi's murder.[517] The Saudis then revealed that MbS had countered by asking Biden about US human rights abuses at Iraq's Abu Ghraib prison and the killing of Shireen Abu Akleh, a Palestinian journalist shot by Israeli troops while covering a West Bank firefight that spring.[518] The reciprocal sniping continued even after Biden returned to Washington, when Saudi officials claimed the president had not held MbS personally responsible for Khashoggi's killing, prompting Biden to double down on his account.[519]

The tension set the stage for unpleasant oil market surprises. Biden came home without a Saudi commitment to increase production, and oil prices quickly rose 2.6 percent.[520] OPEC Plus announced it would increase production for September by just 100,000 b/d—half the increase US officials claimed Riyadh had promised before Biden's trip. OPEC Plus then announced it would slash production by 100,000 b/d in October. But Riyadh's most shocking move came in early October, when OPEC Plus announced it would cut production by 2 million b/d beginning in November[521]—timed just before US midterm Congressional elections and a month before the EU, G7 (Group of Seven industrialized nations), and Australia planned to impose a so-called price cap policy, sanctioning firms that transported or insured Russian oil priced at more than $60 per barrel.[522] This followed late September meetings between MbS and US officials in which the Crown Prince had promised not to cut production, according to press reports.[523]

Saudi Arabia insisted its production cuts stemmed purely from market considerations, including rising interest rates and declining demand in the United States and Europe, but Biden and members of his party saw the decision as deliberately timed to hurt them politically and to serve Russian interests.[524] "We presented Saudi Arabia with analysis to show that there was no market basis to cut production targets, and that they could easily wait for the next OPEC meeting to see how things developed," said White House spokesman John Kirby.[525] Furious with Riyadh, Biden publicly promised "consequences for what they've done with Russia." Democratic senators called for a fundamental reassessment of the US-Saudi relationship. "Let's be very candid about this: it is Putin and Saudi Arabia against the United States," stated Senate Majority Whip Dick Durbin. The Biden administration reportedly considered halting military assistance to Riyadh, rotating the US F-16 fleet out of the Kingdom, and supporting a long-discussed "NOPEC" bill, legislation that would enable US plaintiffs to file antitrust lawsuits against the oil cartel (which had previously prompted Saudi counterthreats to stop pricing their oil in US dollars).[526]

Yet Saudi Arabia showed no sign of bending to US threats. In early December, OPEC Plus announced it would maintain production levels agreed to in October, limiting Ukraine's allies' economic freedom of maneuver, and permitting Moscow to drive prices back up to $86 per barrel when it unilaterally slashed production by 500,000 b/d in February 2023.[527] After prices dropped back down, Saudi Arabia again stepped in to help Moscow; in April 2023, OPEC Plus agreed to slash production by 1.2 million b/d *on top* of the October cuts.[528] This undermined the price cap policy, which went into effect December 2, along with an EU embargo on Russian seaborne oil.[529] Although the price cap did cause Russia some pain, Ukraine and its staunchest EU allies, Poland and the Baltic states, had hoped to deprive Moscow of more revenue, and OPEC Plus's production cuts were one reason the EU decided against this.[530] The effect of the price cap policy on Russian oil revenues thus remained limited, particularly after Moscow had assembled a so-called shadow fleet of tankers to carry its oil to India and China without involving the United Kingdom and European shippers or insurance firms. After mid-2023, Russian oil exports, which continued to flow mainly to China, India, and Turkey, were consistently priced above the price cap.[531]

At the same time, Saudi Arabia signaled strong interest in deepening ties to China and pursuing detente with Iran, processes Beijing strongly encouraged. When Xi arrived in Saudi Arabia in December for meetings with MbS and other Arab leaders, his plane was escorted by Saudi military jets performing air aerobatics. Nearly every press account of the visit contrasted the Saudis' warm welcome for the Chinese leader with the chilly reception given Biden.[532] In addition to inking business deals estimated at $30 to $50 billion, Xi restated China's long-standing aim to buy Saudi oil in yuan, rather than US dollars.[533] In March 2023, Iranian and Saudi officials met in Beijing and agreed to respect each other's sovereignty and reopen embassies in each other's countries, which had been closed since January 2016.[534] That same month, Saudi Arabia also announced it would join the Chinese-led Shanghai Cooperation Organization as a dialogue partner, while Iran became a full member of the organization in July.[535] And, in August 2023, the BRICS (Brazil, Russia, India, China, and South Africa) invited six more countries to join their club—including Egypt, Iran, Saudi Arabia, and UAE.[536]

US officials played down the practical significance of these developments—portraying the Saudi-Iranian agreement as positive and de-escalatory despite its Chinese brokers. The BRICS, said Sullivan, was unlikely to evolve "into some kind of geopolitical rival to the United States or anyone else."[537] Yet, taken together, the Gulf states' chummier relations with Russia and China and the Gulf-Iranian detente hinted at a future in which the continental Eurasian powers incorporated the Gulf states' energy resources and financial power deeper into their own spheres of influence. The surrounding context was changing, too: the Ukraine war had accelerated the pace at which the continental Eurasian powers worked together to reduce their use of the US dollar in financial transactions and trade with each other rather than the West. In the six months after Russia's invasion of Ukraine, yuan-ruble trade increased eightyfold as sanctions severed Moscow's trade and financial ties to the West and led Russia to divert oil and gas to China.[538] Iran, which in the summer of 2022 began supplying Russia with attack drones to use in Ukraine, also reaped benefits from the further reduction of Moscow's economic ties to Europe and the United States. The volume of Iran's trade with Russa continued to lag that of its trade with China or Turkey, but it nonetheless increased by as much as 20 percent in the year after Russia's invasion of Ukraine. According to some sources, Russia had now become the largest foreign investor in Iran. Moscow and Tehran likewise established new banking arrangements that permitted them to conduct a higher volume of nondollar transactions, and sought to accelerate the completion of the INSTC, which had progressed slowly since it was first announced in 2000.[539] In May 2023, Russia agreed to finance the construction of the Rasht-Astara railway in Iran, a vital and long-delayed portion of the corridor.

In the short term, the Biden administration needed to weaken OPEC Plus. In the long term, it needed to prevent the Gulf and India from slipping further into the Eurasian economic orbit. The key was to reassure the Saudis that the United States would continue to arm and defend them. And the only way to sell to Congress the kind of expansive US commitments that MbS wanted was to tie them to Saudi-Israeli normalization, which MbS saw as a Saudi interest in its own right, although it was obviously much more intrinsically important to Israel.

By mid-2023, there was yet another reason for the Biden administration to push for Israeli-Saudi normalization: to head off a diplomatic crisis driven by instability in Israel and the West Bank. Israel's November 2022 election swept Netanyahu back into power as head of the most right-wing government Israel had ever seen, including an ultranationalist party, Otzma Yehudit ("Jewish Power"), whose forerunner had been designated a terrorist organization by Israel and the United States. In January, the new government announced it would proceed with plans to restrict the powers of the judiciary, sparking massive, sustained protests in which military reservists played a leading part. In March, Defense Minister Yoav Gallant warned that the judicial overhaul was undermining Israeli military readiness and called on the government to stop it, prompting Netanyahu to fire him—and then restore him after 600,000 Israelis angrily took to the streets.[540] Biden was vocally worried by these scenes, warning that Netanyahu "cannot continue down this road" and refusing to invite the prime minister to the White House.[541]

The US administration was likewise concerned that the new Israeli Government's permissive attitude toward settler vigilantism and support for harsh responses to Palestinian terrorist attacks would contribute to mounting disorder in the West Bank.[542] The area had been growing steadily more violent since 2021, as Palestinian militant groups, with the help of Iranian financiers and weapons smugglers in Syria and Lebanon, carved out enclaves in cities like Jenin where the PA had grown weak. From these strongholds, they launched terrorist attacks on Israelis, provoking larger and larger IDF raids in response.[543] Biden publicly made clear that he regarded the far-right members of Netanyahu's government as extreme and that there could be no Israeli-Saudi deal unless the government modified its positions.[544] Normalization had in effect become a US incentive for Netanyahu to swap his radical coalition partners for centrist parties, who would presumably insist on ending the judicial overhaul and a more cautious approach to the West Bank.

Diplomacy Before the Storm

The stage was thus set for a major US push for Israeli-Saudi normalization in the spring and summer of 2023. In mid-April, US Senator Lindsey Graham visited Saudi Arabia and then Israel at the administration's request. The choice was deliberate: Graham, a Republican and long-time champion of Gulf-Israeli normalization, was a good candidate to mend fences with MbS and make the Biden administration's case for upgraded security cooperation with Saudi Arabia—which was likely to require a Senate-approved treaty—to his party colleagues. During his talks, Graham emphasized that MbS would have a better chance of attaining the US-Saudi treaty he sought while Biden was in office, because the Democratic party would be more inclined to support such an agreement in Congress while they controlled the White House.[545] After a follow-up visit by Sullivan in early May, the Biden administration determined that it would push for Israeli-Saudi normalization by the end of the year, according to press reports.[546] During the next few months, Blinken, Sullivan, and other senior administration officials shuttled between Jerusalem and Riyadh to lay the groundwork for a US-Saudi defense pact and an Israeli-Saudi normalization agreement.[547] In the time-honored Washington tradition of highlighting priorities by creating new bureaucratic positions, the administration also appointed former Ambassador to Israel Dan Shapiro as senior advisor for Regional Integration.[548]

By September, both MbS and Netanyahu were speaking as though a deal were imminent. "Every day we get closer" to normalization, MbS told *Fox News.*[549] Early in September, an Israeli delegation attended a United Nations Educational, Scientific and Cultural Organization (UNESCO) conference in Saudi Arabia.[550] Later that month and in early October, Israeli Tourism Minister Hayim Katz and Communications Minister Shlomo Karhi, likewise, attended conferences in Saudi Arabia, the first time Israeli cabinet members had publicly visited the Kingdom.[551] Karhi, a religious Jew of Tunisian heritage, celebrated the Sukkot holiday with a reading from a Torah wrapped in a cover embroidered with a dedication to MbS and King Salman, and blessed his fellow conference attendees in Arabic.[552] The Saudis, for their part, pledged to restore aid to the PA, which they had suspended in 2016, and named diplomat Nayif Al Sudairi nonresident Ambassador to Palestine, signaling they were preparing themselves for heightened engagement with the PA in connection with normalization.[553]

By this time, it was also possible to discern the general outline of what Israeli-Saudi normalization would entail. In addition to a gigantic foreign policy win before the 2024 elections, the Biden administration would finally receive some relief on oil prices. By October 2023, the Saudis privately told the United States that they would unwind OPEC Plus production cuts, which had driven oil prices back up as high as $95 per barrel in September 2023, to help secure a deal.[554] According to press reports, US officials also sought Saudi promises to continue pricing their oil sales in dollars.[555]

For Saudi Arabia, the most important demands concerned its own security and were directed at the United States. Saudi leaders expected Washington to provide support for their civilian nuclear program while still permitting it to enrich uranium. They wanted the United States to supply them with advanced weapons, such as the Terminal High Altitude Area Defense (THAAD) missile defense system and the F-35 fighter jet. Most of all, they wanted a mutual defense treaty with the United States.[556] Washington and Riyadh intended to update the old US-Saudi "oil for security" partnership in a way that reflected the energy market and security realities of the 21st century, within the envelope of Arab-Israeli peacemaking.

Israel would need to agree to make concessions to the PA to make any deal palatable to the Saudi public (as well as skeptical Democrats on Biden's left flank). Notably, the Saudis sent strong signals they would not insist on an Israeli commitment to establish a Palestinian state or fully withdraw from the West Bank. In a Fox News interview, MbS spoke only of "reaching a deal that give(s) the Palestinians their needs and make(s) the region calm," and did not mention the Arab Peace Initiative or Palestinian statehood.[557] The Saudi Crown Prince's stance reflected his personal disinterest in the Palestinian cause, but also his expectation that he could receive Palestinian buy-in without promising them a state. The PA, still smarting from its exclusion from the Abraham Accords, had decided not to cast aspersions from the sidelines this time, and instead sought to mobilize the Saudis in favor of more modest and attainable measures, including a settlement freeze, Palestinian civil control over additional portions of the West Bank, and reopening the US Consulate-General in Jerusalem.[558]

The Israelis, it seems, could have accepted Saudi Arabia and the Palestinians' demands. Some of the Israeli security establishment worried about US support for Saudi Arabia's nuclear program.[559] Yet close Netanyahu confidantes, such as Dermer (now Minister of Strategic Affairs) and National Security Advisor Tzahi Hanegbi, publicly indicated they could accept the possibility, especially because the Saudis could theoretically seek Chinese nuclear assistance if Washington remained opposed.[560] The Israelis were unsurprisingly less flexible when Biden administration officials privately pressed them to make concessions to the Palestinians to meet Riyadh's needs.[561] By late September, Otzma Yehudit and Religious Zionism, another far-right party, threatened to leave Netanyahu's coalition if he signed a normalization agreement that involved concessions to the PA,[562] but Netanyahu downplayed the idea that the Palestinian issue would ultimately pose an obstacle to a deal. "I think the Palestinian thing is brought in all the time, and it's sort of a check box. You have to check it to say that you're doing it," he told one reporter.[563]

What the prime minister may have eventually conceded to the PA will remain unknown, but it seems unlikely that any of the concessions the PA wanted would have proven a deal-breaker. It would not have been the first time that Netanyahu made what he saw as tolerable compromises on the West Bank for the sake of other objectives. To appease previous US administrations, he had agreed in 1998 to transfer additional portions of the West Bank to PA control and, in 2009, to a settlement freeze. In 2020, he had temporarily pledged not to annex West Bank territory to secure normalization with UAE, a decision that produced almost no significant political blowback. In any case, centrist politician Benny Gantz and his National Unity Party had promised to vote for any normalization deal in the Knesset, meaning that even if his coalition had collapsed, Netanyahu could potentially still have headed into another election cycle as a triumphant peacemaker.[564]

Moreover, Netanyahu was acutely aware that Israeli-Saudi normalization was not simply a bilateral agreement with another Arab state, but part of a process to embed Israel in the center of a US-dominated, intercontinental trade network—the sort of thing that he and his friend Fogel had dreamed about for years.

The Biden administration might have been initially slow to embrace the idea of a Mediterranean-Gulf-India entente, but the idea had gathered steam since Biden's visit to the Middle East, and by the spring of 2023, the United States was wholeheartedly behind it. To secure Middle Eastern supply chains and energy resources, Sullivan told a think tank audience in May, the United States wanted to incorporate Saudi Arabia into the I2U2 framework, which would complete a maritime Eurasian trade corridor from the Mediterranean to India.[565] Shortly after, he met with MbS, senior Emirati officials, and Indian National Security Advisor Ajit Doval.[566] In July, when Hochstein visited the Middle East, he and his Israeli counterparts discussed a plan to permit truckers to drive uninterrupted from Haifa to Dubai through Jordan and Saudi Arabia, which they projected could reduce the transit time for Europe-bound goods from UAE from a few weeks to a few days and lower transport costs per container by 20 percent. If Saudi-Israeli normalization unfolded in stages, this plan for "land connectivity by trucks" could be implemented first, then expanded to include rail lines and tourist travel.[567] Essentially, the Biden administration had adopted the Tracks for Peace plan, just like the Trump administration before them.

By August it was clear Netanyahu saw an Israel-Gulf trade corridor as practically inevitable. "We are about to witness a pivot of history," he proclaimed. Israel and Saudi Arabia would provide an "energy, transport, and communications" bridge between Asia and Europe even if they did not immediately establish formal peace.[568] Throughout that summer, the Israeli Government churned with preparations for infrastructural megaprojects that would follow normalization. In June, the government authorized EAPC to lay fiber optic cables along the Tipline route between Ashkelon and Eilat, which would make it possible for Israel to serve as the nexus for additional submarine internet cables linking Asia and Europe. EAPC director Erez Khalfon proclaimed Israel would not only be an energy hub, but also a communications hub.[569] Likewise, the company began pressing the government to revisit the question of how much oil could be transported through Eilat per year.[570] Separately, the Israeli Government voted to resume planning for a high-speed railway to Eilat, which Netanyahu hoped would eventually extend to northwest Saudi Arabia.[571]

In September, Netanyahu's dream of making Israel a key transit state was endorsed by several of the world's leading economic powers, although notably not China or Russia. On September 9, the G-20 convened in New Delhi, with Xi and Putin conspicuously absent. There, the United States, the EU, France, Germany, India, Italy, Saudi Arabia, and UAE signed an MOU to establish the IMEC corridor, a ship-to-rail transit network that would also include cables for electricity and digital connectivity and pipelines for "clean hydrogen."[572] Biden made clear that the corridor would run from India to UAE and then through Saudi Arabia, Jordan, and Israel—essentially, the Tracks for Peace route.[573] This time, Biden gave MbS a hearty handshake.[574] Netanyahu was not present at the summit but wasted no time in extolling its outcome.[575] Less than two weeks later, he met with Biden on the margins of the UN General Assembly and secured an invitation to visit the White House by the end of 2023.[576] The Israeli prime minister's UN speech a few days later was that of a leader on the verge of a major victory. Holding a map depicting the IMEC route, Netanyahu spoke of Israel as a "crossroads between continents," the focal point of a corridor which would "bypass maritime chokepoints and dramatically lower the costs of goods, communication and energy for over two billion people." This vision, he argued—which would soon become a reality along with Saudi-Israeli peace—would also lead to the end of the Israeli-Palestinian conflict, so long as Iran—the "fly in the ointment"—could be kept from thwarting it.[577]

But it was not only Iran that Israel needed to worry about. China, Russia, and Turkey also had reason to want IMEC to fail. Both Beijing and Moscow subtly warned that Washington should not try to compete with either the BRI or the INSTC.[578] Erdogan, less subtly, openly blasted IMEC's backers for excluding his country, proclaiming there would be no corridor without Turkey. "Turkey is an important production and trade base," he argued. "The most convenient line for traffic from east to west has to pass through Turkey."[579] By this time, Turkey had joined China, Iran, and Russia in promoting its own Eurasian trade corridor, the Iraq Development Road, which Erdogan and Iraqi Prime Minister Muhammad Shia al-Sudani had announced during the latter's March 2023 visit to Ankara. The corridor, intended to stretch from Faw on the Persian Gulf into Turkey and onward to Europe, would likewise involve roads, rail lines, and possibly pipelines, and would provide a faster alternative to commercial transit through the Suez Canal.[580]

Clearly, if Hamas wanted to prevent Israeli-Saudi normalization and thwart the IMEC project, several powerful actors would be likely to support them. Although Israeli-Gulf rapprochement was far from the only force propelling Hamas's attack plans forward, documents captured by the IDF in the Gaza Strip and Hamas leaders' public statements prove that Hamas launched its October 7 attack on Israel in part to prevent Israeli-Saudi normalization. Hamas official Saleh al-Arouri, for example, claimed in August that Israeli-Saudi normalization would effectively involve the Israeli conquest of Mecca and Medina and threaten Muslims everywhere.[581] In September, Bassam Na'im, another senior Hamas official, warned that Israeli visits to the Kingdom indicated normalization was becoming an established fact, and would serve as a green light for Israel to operate without restraint against the Palestinians.[582]

It is somewhat less clear how the launch of IMEC influenced the group's assumptions about the international environment: no Hamas leader has issued any pronouncement on the corridor, as opposed to Saudi-Israeli normalization in general. Yet Hamas leaders were almost certainly aware of the corridor and its significance. For one thing, the geoeconomic danger of Gulf-Israeli rapprochement had been discussed in the Palestinian and Pan-Arab press for years. In 2018, for example, the London-based Palestinian journalist Abdel Bari Atwan, one of the Arab world's best-known columnists, had extensively criticized the Tracks for Peace proposal, which he argued would allow Jerusalem to control the transport of Arab oil resources.[583] After IMEC's announcement, Atwan deemed Egypt, Iraq, the Palestinians, Turkey, and (curiously) Algeria the biggest losers of the corridor's launch, noting their common interests with China and Russia, the corridor's principal targets.[584] Media outlets associated with Hamas published similar analysis.[585] Although IMEC may not have been the only factor that helped shape Hamas's decision for war on October 7, 2023, it almost certainly compounded its leaders' sense of danger from Israeli-Saudi normalization and also their assumption that they could expect backing from powerful actors who similarly opposed the United States' grand designs for the Middle East.

A Geoeconomic War

On October 7, 2023, roughly 5,500 Hamas fighters stormed into Israel, killing 1,200, mostly civilians, beginning 15 months of war between Israel and the entire Axis of Resistance, except for the Syrian armed forces. The Axis actors provided varying levels of direct military support for Hamas. Lebanese Hizballah consistently fired on northern Israel beginning October 8, while Iran intervened directly only twice, firing major drone and missile barrages at Israel in April and October 2024. Yet the Axis members shared the same goals: to force Israel to halt its counteroffensive against Hamas and to leave Israel isolated and weak—in part, by cutting Jerusalem's ties to the global economy and undermining the viability of Israeli-Gulf economic integration. Iranian Supreme Leader Ali Khamenei proclaimed in October 2024 that the West had plans to make Israel its "gateway to the region's energy production and for importing Western goods and technology into the region." The Axis of Resistance, he added, would ensure this endeavor did not succeed.[586]

Throughout the war, Tehran and its allies struggled to wage effective economic warfare against Israel. In the conflict's early weeks, Iran tried to persuade OPEC to adopt an oil embargo against the United States and other Western countries.[587] When this effort failed, Tehran unsuccessfully tried to convince members of the Organization of the Islamic Conference (OIC) to cut off oil shipments to Israel alone.[588] Yet several Muslim states, including Bahrain, Djibouti, Egypt, Jordan, Mauritania, Morocco, Saudi Arabia, Sudan, and UAE opposed an oil cutoff and other harsh anti-Israeli measures. Thus, the OIC merely called on Muslim countries not to sell Israel weapons or ammunition, a meaningless gesture, because Israel did not import arms in significant quantities from any OIC country.[589] Throughout the war, Israel would continue to buy oil from Azerbaijan and Kazakhstan, both OIC countries, most of it transported through the BTC pipeline, despite Turkey's staunch advocacy for Hamas and declaration of a trade embargo against Israel in May 2024.[590]

The reluctance of other regional energy producers and transit states to make major economic sacrifices in support of the aggression launched by Hamas reflected these countries' self-interest and, in some cases, a quiet desire to see Iran and its allies defeated. But it also reflected the state of the world oil market. By the end of 2023, the United States had been a net exporter of petroleum for four years, and only about 16 percent of US petroleum imports came from OPEC countries.[591] Moreover, falling demand in China and Europe meant oil prices continued to decline from their September 2023 peak despite the war. This continued even after OPEC agreed to further production cuts at its November 2023 meeting, where the Israel-Hamas war went almost entirely unmentioned.[592] In mid-December, oil prices hit an annual low of $72 per barrel, and they never climbed back to prewar levels. In April 2024, prices briefly hit $93 per barrel after Iran's first missile attack on Israel, but Tehran's second attack in October nudged prices only to $82, barely above the $81 per barrel average in 2024.[593]

More consequential than Iran's attempts to organize energy embargoes of Israel were the Houthis' efforts—aided by Iranian operational planning and intelligence—to disrupt commercial shipping in the Red Sea, which began in late October 2023.[594] In the first eight months of 2024, the Yemeni group drove up international shipping costs 141 percent, as tankers increasingly traveled around the Cape of Good Hope to avoid being attacked in the Red Sea.[595] Besides harming Israel, the Houthis hoped to split the United States from its Arab and European allies, whose economies depended more heavily on Red Sea commerce. Europe was particularly vulnerable to the Houthi campaign because it had upped its imports of Middle Eastern oil and gas to offset reduced imports from Russia in response to the war in Ukraine. In the first half of 2023, oil flows through Bab al-Mandab jumped from 4.9 million b/d in 2021 to 8.8 million b/d; in the first eight months of 2024, by contrast, oil traffic through Bab al-Mandab dropped more than 50 percent, averaging only 4 million b/d.[596] Houthi attacks also had a devastating effect on the maritime sectors of Jordan and Egypt: Egypt's revenue from Suez Canal fees fell 60 percent in 2024, a loss of $7 billion.[597] Imports through Jordan's Aqaba port dropped 50 percent and exports dropped 38 percent between November 2023 and October 2024.[598]

The Houthi campaign was also designed to benefit China and Russia, whose governments enabled it. Notably, the Houthis publicly announced in January 2024 that they would permit Chinese and Russian ships to safely traverse the Bab al-Mandab Strait (although they still attacked a few by mistake). Beijing and Moscow accordingly refused to condemn Houthi attacks on commercial shipping, criticized Western strikes against the group, and (in China's case) rejected a US invitation to join the US-led Operation Prosperity Guardian.[599] Later, they even provided the Houthis with targeting data to enable their attacks on vessels in the Red Sea. According to press reports, Moscow even considered providing the Yemeni group with missiles, reneging only after the Saudis warned Moscow not to proceed (although Chinese and Russian arms dealers still provided the Houthis with weapons components and small arms).[600] By cooperating with the Houthis, China and Russia not only helped tie down US naval assets, but also ensured themselves a preeminent role in Red Sea commerce while boosting overland trade along routes they dominated. Although the Red Sea crisis raised shipping costs for Chinese exporters, several Chinese shipping companies redeployed vessels to serve Djiboutian, Saudi, and Yemeni ports abandoned by more nervous Western firms and profited from the absence of competition.[601] Beijing also expanded overland trade with Europe through the Middle Corridor, which runs through Central Asia, the Caucasus, and Turkey. Although still far outweighed by seaborne trade, Chinese exports on this route jumped 25-fold by volume in 2024.[602] About 83 percent of Russian oil exports transited the Red Sea in 2024—largely unaffected by Houthi attacks. In the year after the October 7 attacks, Russian wheat exports through the Suez Canal rose, while shipments of US-origin agricultural commodities plummeted.[603] From January through June 2024, the Eurasian Rail Alliance, a major Russian freight company, doubled the volume of goods it transported between China and Europe, in contrast to a 61 percent drop after Moscow invaded Ukraine.[604]

Yet, ultimately, Houthi attacks had limited impact on European and Arab economies. In this arena, too, Iran and its proxies saw their power to disrupt constrained by Western Hemisphere oil production, which replaced Middle Eastern oil exports to Europe and partially offset rising shipping costs—reducing the burden that energy companies passed on to consumers by circumventing the Red Sea. As Middle Eastern oil exports to Europe fell by nearly a quarter in 2024, European countries compensated by importing record quantities of oil from the United States and Guyana.[605] Saudi Arabia also managed to increase its oil exports to Europe in 2024 despite the Houthis' campaign, because it could circumvent Bab al-Mandab by transporting oil by pipeline to northern Red Sea terminals.[606] For Egypt and Jordan, the macroeconomic impact of depressed maritime trade was limited, in part thanks to assistance from the Gulf. A $35 billion agreement with UAE to develop a Mediterranean beachfront improved Egypt's economic outlook in 2024—allowing Cairo to devalue the Egyptian pound and secure stalled International Monetary Fund (IMF) loans.[607] Jordanian GDP growth dropped just slightly from 2.7 percent in 2023 to 2.4 percent in 2024.[608]

Israel's economy, the primary target of the Houthi campaign, was less affected than other Mediterranean countries, because Israel traded less with Asia and moved little cargo through its Red Sea port, Eilat, which the Houthi campaign largely shut down.[609] Two Israeli logistics firms, the Eilat-based Trucknet and Mentfield Logistics, used the Houthi blockade as an opportunity to launch trucking lines through Saudi

Arabia to ports in UAE and Bahrain—essentially, the IMEC route—although the volume of goods shipped remained small.[610] Mostly, Israel mitigated the economic impact of the Houthi campaign by simply rerouting Red Sea cargoes to Haifa and Ashdod, where roughly 97 percent of its seaborne cargo trade passed even before the war, and which operated largely unimpeded.[611] A Bank of Israel study in December 2024 found Houthi operations had little effect on consumer prices, although that would have changed if Israel's Mediterranean port operations had been disrupted.[612]

The major Israeli economic fear throughout the war was that the Axis would successfully target its transportation or energy infrastructure with missiles or drones. The country's aviation sector proved consistently vulnerable to threats from Iran and its partners, with airlines forced to cancel flights or even suspend service to Israel at times. From October to December 2023, the number of airline passengers who transited Ben-Gurion Airport dropped nearly 63 percent compared with the same period in 2022; the total number of passengers who transited Ben-Gurion in 2024 declined 34 percent compared to 2023.[613]

But, with the exception of Eilat, Israel's ports operated almost completely unimpeded and, for the most part, so did its gas fields and refineries, thanks to a combination of strong air defenses and its escalation dominance over Hizballah, whose enormous rocket and missile arsenal combined with proximity made it the main threat to Israel's energy infrastructure. After October 7, rocket fire by Hamas forced Israel to halt natural gas extraction from the Tamar field for about a month and to temporarily close its oil port at Ashkelon.[614] Later efforts by Lebanese Hizballah and Iraqi Shi'ite militias to target the Leviathan and Karish gas fields were unsuccessful, however. In December 2023, Israel downed an Iraqi drone that the Islamic Resistance in Iraq, a group of pro-Iranian militias, claimed to have launched at Karish.[615] Hizballah waited until July 2024 to launch drones toward Karish, reflecting its strategy of geographically containing its attacks on Israel to its northern border areas.[616] The Israeli Navy shot down another drone that September.[617] Hizballah, however, did not target Karish after the Israeli Army invaded Lebanon in October, probably fearing Israel would destroy Lebanese critical infrastructure or cancel the countries' 2022 maritime boundary agreement.

Indeed, by summer 2024, Israel's fortunes had improved enough for it to threaten economic warfare against its furthest enemies—first the Houthis and then, Iran itself. In response to Houthi attacks in July, Israel bombed power plants, oil refining and storage facilities, and an oil port in Yemen, strikes probably also intended to warn Tehran that Israel could strike Iranian energy assets if needed.[618] But the climactic moment arrived in October, when Iran launched a second missile attack—far larger than its earlier barrage in April—which took Israel's Leviathan and Tamar offline for hours but did not damage either field.[619] In the tense period leading up to its response, Israel signaled it might bomb Iranian oil fields, export terminals, or refineries.[620] Publicly, Tehran threatened to strike Israel's gas fields if Jerusalem bombed its energy infrastructure, and exported its first oil cargo from Jask, its terminal outside the Strait of Hormuz, probably to signal its willingness to blockade the Strait of Hormuz if Israel attacked.[621] In the end, Israel limited its reprisal to Iranian military targets, probably partly in response to pressure from the United States and the Gulf states.

But the possibility of Israeli attacks on Iranian economic targets—presumably, in the context of an Israeli campaign against Iran's nuclear program—was left open. Particularly worrisome, from the Iranian perspective, was the prospect that Israel would strike Iran's refineries or gas processing plants, which would not directly affect international oil markets but could plunge the Islamic Republic into economic crisis and endanger the regime. By December 2024, Iran was already experiencing domestic energy shortages, in part because, according to one press report, Israel had sabotaged two of its natural gas pipelines that February.[622]

For the first six months of 2025, however, the conflict between Israel and the Axis of Resistance entered a lower-intensity phase, during which an Israel-Hizballah ceasefire took hold, Israel and Hamas exchanged hostages and prisoners, and the United States and Iran negotiated intensively over Tehran's nuclear program. The Houthis continued to threaten Israel-bound shipping and resumed their missile attacks in tandem with renewed fighting in Gaza in March, successfully targeting Ben-Gurion Airport May 4, 2025.[623] But by this point, the Yemeni militia was the only Axis actor consistently trying to cut Israel off from international trade by force.

The 12-day Israeli-Iranian war that began June 12, 2025, involved a brief return to high-intensity economic warfare between Jerusalem and Tehran. In response to Iranian missile attacks that struck apartments in central Israel, killing civilians, the Israeli Air Force struck Iran's South Pars gas refinery June 14, as well as an oil refinery, fuel depots, and Oil Ministry buildings in Tehran.[624] The Iranians responded by firing a missile at the oil refinery in Haifa, damaging transmission lines beneath the complex. It attacked the refinery a second time June 16, this time killing three workers and taking the facility offline.[625] From June 13 until June 25, the day after the conflict ended, Israel also shut down operations at the Leviathan and Karish gas fields.[626]

But in the end, neither side acted on their most far-reaching threats. Israel did not target Iranian energy infrastructure to an extent that would have threatened the regime's survival. Tehran, for its part, was constrained from going beyond its attacks on the Haifa refinery by a combination of strong Israeli air defenses, precise attacks on missile launchers, and perhaps some degree of self-restraint, although Iran continued to attack the Israeli home front with drones and missiles throughout the war. Tehran also did not attempt to close the Strait of Hormuz or attack energy infrastructure in the Gulf states, even though the Iranian Parliament called for doing so after the June 22 US attack on Iranian nuclear sites, including the critical Fordow uranium enrichment facility.[627] Oil prices, which had leaped to $81 per barrel shortly after Israel's initial strikes June 12, quickly dropped back below $70 per barrel, reflecting the unwinding of OPEC production cuts that had begun that spring and relatively sluggish global demand.[628]

Although the war in the Gaza Strip continued to grind on until October 2025, hostilities between Israel and the Axis of Resistance, except for the Houthis, essentially ended in June 2025. Where Israel would fit into the regional economic map, however, now seemed far less clear than in September 2023.

In some ways, Iran's economic war against Israel was a failure. At no point did Israel face significant shortages of consumer goods. After Iran's missile attack on the Haifa refinery in June 2025, Israel was briefly forced to import refined petroleum products to avoid shortages but otherwise maintained adequate access to energy throughout the conflict. Nor did Tehran succeed in driving up global oil prices anywhere close to the heights reached in 2022. Iran and its Axis of Resistance partners did disrupt Israel's air links to the outside world, but the impact on Israeli maritime commerce was mostly confined to Eilat. Even Israeli trade with other Middle Eastern states, with the exception of Turkey, was surprisingly unaffected by the conflict. The value of Israel's nondefense trade in 2024 with Bahrain, Egypt, Jordan, Morocco, and UAE increased relative to the previous two years.[629] Egypt and Jordan remained reliable customers for Israeli gas. Israeli gas output increased nearly 10 percent in 2024, and gas exports to Egypt jumped 18 percent.[630] In short, Tehran failed to cut most of Israel's trade links or to exploit its own status within the regional energy system in ways that changed the trajectory of the conflict.

Nonetheless, Iran succeeded, at least in the short-term, in derailing US efforts to negotiate Israeli-Saudi normalization and IMEC. Throughout 2024, Biden and his advisers tried to entice Netanyahu into a ceasefire agreement by promising that steps toward normalization would inevitably follow. By this point, however, it was clear MbS was not going to simply make do with some sort of token statement about the Palestinians, given the strong sympathy among the Muslim public, and particularly in Saudi Arabia, for the residents of the Gaza Strip. "Do I care personally about the Palestinian issue? I don't, but my people do, so I need to make sure this is meaningful," MbS told Blinken, according to one press account.[631] This meant, at a minimum, tying normalization to some sort of Israeli commitment to Palestinian statehood and a role for the PA in the Gaza Strip, possibilities Netanyahu repeatedly forswore. Trump described IMEC as "one of the greatest trade routes in all of the history" after his meeting with Modi in February 2025 and promised to keep working toward it.[632] Yet, during Trump's trip to the region in May 2025, he too seemed to accept the inevitability of continued stagnation in Gulf-Israeli diplomacy. Trump described Israeli-Saudi normalization as his dream but conceded that Riyadh would join the Abraham Accords in its own time.[633]

In the meantime, the Eurasian powers' rival trade corridor projects continued to move forward. In addition to the benefits that China and Russia reaped from the diversion of maritime traffic from the Red Sea, Turkey emerged from the war better positioned to promote itself as a transit state, thanks especially to the spillover effects of the Israel-Hamas war on Syria, where the Assad regime crumbled in December 2024. In June 2025, Ankara and Damascus signed an MOU calling for renewed direct road transportation between Turkey and Syria and opening Syria for Turkish transshipment to Jordan and the Gulf.[634] The Iraq Development Road project also continued to move forward. During a visit to Iraq in April 2024, Erdogan signed several MOUs with Emirati, Iraqi, and Qatari officials on the Iraq Development Road, committing Doha and Abu Dhabi to financing much of the project's $24 billion cost.[635] In June 2025, the World Bank approved a $930 million financing package for the Turkish-Iraqi corridor.[636] Turkey, Erdogan told an audience at a June 27 forum, was becoming a "geostrategic island of trust."[637]

For more than a decade, it was Israel that had promoted itself as an "island of trust" in a region otherwise synonymous with piratical assaults on commercial shipping, drones striking oil fields, and key highways overrun by terrorists in Toyota Hilux pickup trucks. When Netanyahu addressed the UN in September 2023, he seemed on the verge of accomplishing what all his predecessors had failed to achieve: to convert Israel into a transit state par excellence. Two years later, this dream seemed as far away as it had been in the mid-1970s, when Israel's dreams of becoming a regional transit state were likewise shattered by an Arab surprise attack and subsequent isolation on the international stage.

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Conclusion and Implications

This monograph was completed in September 2025, just before the United States brokered an end to the Israel-Hamas war. Since then, however, war has returned to the Middle East. On February 28, 2026, the United States and Israel launched a joint military campaign against Iran, which prompted Hizballah to resume hostilities with Israel. Washington and Jerusalem indicated that they intended to further degrade Tehran's military capabilities, and perhaps even catalyze the fall of the Iranian regime, which was still reeling from nationwide protests in January 2026.[638] Tehran fought back by blocking maritime traffic through the Strait of Hormuz and attacking a wide array of targets—military and civilian—in the Gulf states and Israel.

At the time of this writing (April 2026), it remains unclear what kind of settlements may emerge from parallel US-Iranian and Israeli-Lebanese negotiations. Nonetheless, Operation Epic Fury and its Israeli analogue, Operation Roaring Lion, have underscored many of the key themes of this monograph. Israel's conflicts with its neighbors remain energy wars, struggles over how the Middle East will fit into the global economy and which local actors will win or lose. In 2023, the Axis of Resistance sought to derail an Israeli-Gulf entente that would form the core of a US-dominated, maritime Eurasian energy and logistic network. In 2026, the United States and Israel sought to eradicate the Iranian threat to regional economic integration once and for all and perhaps pull a post-clerical regime into a fully integrated Middle East.

Russia and China's responses to the US-Israeli campaign against Iran likewise underscore how the Israeli-Iranian struggle remains embedded in the larger great power competition over geoeconomic dominance in Eurasia. Moscow and Beijing have continued to work toward their longstanding goal of relegating the Gulf to some sort of managed Iranian hegemony that excludes US influence. Both countries provided Iran with intelligence support, according to press reports, and struck deals with Tehran to permit their ships to pass safely through the Strait of Hormuz.[639] Both also blocked the UN Security Council from calling on Iran to reopen the waterway.[640] Russia benefited from increased global demand for its oil, while China was clearly willing to bear the short-term cost of lost access to Gulf oil if doing so served its larger strategic goals.[641]

Even if the United States and Iran reach an agreement to reopen the Strait of Hormuz, Arab Gulf leaders and international energy companies will almost certainly assume that oil and gas transit will remain threatened as long as the current Iranian regime remains in power. During the war, the Saudi and Emirati oil terminals at Yanbu and Fujayrah demonstrated their value as bypasses, and demand for additional ways to safely bring Gulf oil to world markets will almost certainly grow. Israel, unsurprisingly, is offering itself anew as a route for Gulf oil and gas to circumvent the Strait. "Just have oil pipelines, gas pipelines, going west through the Arabian Peninsula, right up to Israel, right up to our Mediterranean ports and you've just done away with the choke points forever," Netanyahu proclaimed in a March 2026 press conference.[642] Syria, too, has offered itself as a bypass for Gulf and Iraqi oil, including by reviving the long-unused Kirkuk-Banias pipeline.[643] Iraq has resumed exports through the Kirkuk-Ceyhan pipeline, and Ankara and Baghdad hope to both expand its capacity and connect to Iraq's other major oil fields around Basra.[644]

Unless the United States decides to radically depart from almost 50 years of policy toward Iran, or alternative energy sources suddenly become useable on a much larger scale, Washington probably will want to help Gulf energy producers to find new ways for their oil and gas to bypass the Strait of Hormuz. All the major alternative options currently being discussed, however, have significant drawbacks. They would take years and significant amounts of investment to build. They would also channel oil that in recent years has primarily been consumed by Asian customers to the Mediterranean, meaning that Asian consumers would need to accept much higher transit costs and slower delivery times if they wanted to keep buying Middle Eastern oil. Like the Saudi and Emirati bypass networks, pipelines to the Mediterranean would also remain vulnerable to attacks by Iran or its proxies even after they were constructed.

Pursuing energy bypass options that include Israel would require the United States to overcome all the aforementioned hurdles, and to make economic cooperation with Jerusalem palatable to public opinion in Saudi Arabia and perhaps other Gulf states, which probably means a renewed effort to address the Palestinian issue, currently anathema to much of the Israeli public. Resurrecting IMEC or other plans involving Israel as an energy transit state would also require a significant US effort to convince Turkey and Syria—whose leaders also see opportunities in the Gulf states' search for bypass routes—that their interests would not necessarily be threatened by Israeli-Gulf rapprochement. Washington will need to decide whether the benefits of Israeli-Gulf economic convergence justify the potential costs of failing to meet these conditions for its success.

Glossary

AKP	Islamist Justice and Development Party
BCM	billion cubic meters
B/D	barrels per day
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China, and South Africa
BTC	Baku-Tbilisi-Ceyhan pipeline
CCCC	China Communications Construction Company
CEO	chief executive officer
DP	World Dubai Ports International (renamed after a merger in 2005)
EAPC	Eilat-Ashkelon Pipeline Company; Europe-Asia Pipeline Company (after 2018)
EU	European Union
G7	Group of Seven industrialized nations
GCC	Gulf Cooperation Council
GDP	gross domestic product
I2U2	Middle Eastern Quad (India, Israel, UAE, and the United States)
IDF	Israel Defense Forces
IEA	International Energy Agency
IMEC	India-Middle East-Europe Corridor
IMF	International Monetary Fund
INSTC	International North-South Transport Corridor
IPO	initial public offering
IRGC	Islamic Revolutionary Guard Corps
IPC	Iraq Petroleum Company

ISIS	Islamic State of Iraq and Syria
JASTA	Justice Against Sponsors of Terrorism Act
JCPOA	Joint Comprehensive Plan of Action
KRG	Kurdistan Regional Government
LNG	liquified natural gas
MbS	Muhammad bin Salman (Saudi Deputy Crown Prince)
MbZ	Muhammad bin Zayid
MEES	*Middle East Economic Survey*
MFO	Multinational Force and Observers
MOU	memorandum of understanding
MSC	Mediterranean Shipping Company
NATO	North Atlantic Treaty Organization
NEPCO	Jordanian National Electric Power Company
NGL	Natural Gas Liquids line
OIC	Organization of the Islamic Conference
OPEC	Organization of the Petroleum Exporting Countries
PA	Palestinian Authority
Petroline	East-West Crude Oil line
PLO	Palestine Liberation Organization
Sumed	Suez-Mediterranean Pipeline
Tapline	Trans-Arabian Pipeline
THAAD	Terminal High Altitude Area Defense
Tipline	Trans-Israel Pipeline
UAE	United Arab Emirates
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
USSR	Union of Soviet Socialist Republics
YPG	Kurdish People's Defense Units

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