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Gaza Strip

We are ending the third month of war in Israel. The Hamas attack on 7 October broke all the rules of the game in the long-standing conflict with terrorism. Usually, the response to any action by either side was proportional to the damage caused. For example, if Hizbollah bombed a residence without causing casualties, Israel would attack the organization's empty real estate. The Hamas attack was a veritable massacre. Hamas used a brutality never before seen in Israel or anywhere else in the world. As a result, Israel has decided to eliminate Hamas. The definition of elimination is not clear. It may involve eliminating the military wing, suppressing its supporters, or extirpating and liquidating Hamas from the administration and the political map of the region. As expected:

- Hamas prepared many "nasty surprises" for the IDF: bombs, booby traps, explosive tunnels and kidnapping of Israeli soldiers.
- Use of "Human Shields" - Israel's hostages as well as the Palestinian civilian population.
- Sensitivity to international public opinion.

Lebanon

At the same time, Israel has a front against Hezbollah on its northern border with Lebanon. Over the last three months, Hezbollah has intensified and escalated the conflict. We have recorded hundreds of incidents and over a hundred thousand displaced people, injuries to life and property, which have not reached a critical mass that would allow us to declare a state of war.

Yemen

The Houthis launched a missile and drone attack and hit cargo ships with and without links to Israel. This alone has effectively caused the suspension of transit through the Suez Canal, in a way that lengthens transport times to Europe by a further two weeks, increases cargo prices and insurance premiums, and seriously damages Egypt's income from transit fees through the canal.

Iran

Iran is the mastermind, sponsor, and facilitator of all the terrorist organizations in the region, whose tentacles extend to Syria, Algeria, Venezuela, and Argentina, among other countries. For Iran, Israel is the "Little Devil". One of Iran's objectives is to eliminate Israel in its entirety. So far, however, it has not attacked Israel directly, but through its proxies, the terrorist organizations. Iran also provides our enemies with cutting-edge tools and shares intelligence with them.

United States

Israel is very sensitive to international opinion, especially that of the EU countries, our allies, and trading partners. The US decided to show its support and send ammunition and equipment to preserve Israel's superiority in the region. Among other aids, two American aircraft carriers were launched close to Israeli territorial waters to dissuade Iran and Hezbollah from going to war and stopped several attacks from Yemen. Gradually, opinion within the administration and among the American public is shifting resolutely in favor of a cessation of hostilities by Israel.



The Israeli community

The Israeli government is not handling the war as it should. However, civil society has shown impressive strength, as have the armed forces, the police, and the health system. This resilience of the population is the greatest encouragement and recovery factor. The population's ability to cope is the main driving force behind encouragement and the country's recovery and will make it a little easier to recover from the crisis. Between the citizens who have lost their homes, and the people who evacuated as a precaution, we have more than 120,000 Israeli refugees in the center of the country.

Hostages

Hamas is still holding more than 130 people, including many civilians, children, babies, elderly and foreign nationals, whose exact number and health condition are unknown. The human factor is significant because Israel and the countries of origin of the abductees have a duty to preserve the lives of their citizens. We must remember that Hamas is not a nation committed to international treaties such as the Geneva Convention relative to the Protection of Civilian Persons in Time of War. Consequently, we know nothing about them, and the Red Cross has not yet visited the hostages. Some of the hostages are held by other terrorist organizations such as the Palestinian Islamic Jihad, criminals and clans. Hamas does not want to reveal the number or condition of those kidnapped, as a measure of pressure and psychological warfare.

Prospective Analysis for the near future

It is difficult to predict how the situation will evolve over the coming weeks. Broadly speaking, two scenarios are emerging, with numerous derivatives and ramifications.

A war limited to Gaza only

The IDF will remain in Gaza, to eliminate the military and terrorist threat from Hamas. In that case, the war will be easy to contain, despite the financial and human costs. The impact on the national economy will be small and limited. It is possible to hope that the "combat" phase will come to an end and Israeli industry will resume normal operations during the second quarter. There is no real hope of the return of all those abducted.

War also with Hezbollah

It is a much more complex situation, as Hezbollah has superior military power and hundreds of thousands of missiles, capable of launching thousands of rockets per day, for several months. Such a war will be painful, and its impact may be severe. It is estimated that two hundred thousand rockets and missiles (more than the entire arsenal of NATO, combined) are currently targeting every point in Israel.

Israeli economy

The Israeli economy is already suffering significant damage caused by the attack on 7 October and the war that followed, particularly in terms of the State's production capacity and income. We are also seeing a considerable increase in spending on rehabilitation, army maintenance, compensation and purchases. Despite this, the Israeli economy is strong and the deterioration in the debt-to-income ratio and the expected fall in the credit rating are manageable in the medium term.

Global economy

The closure of the Bab al Mandab strait, on the Yemeni coast south of the Red Sea, is not just an Israeli problem. It is a global shipping problem. The solution will therefore come from a coalition of the countries concerned, in particular the countries of the European Union, the United States and Egypt.



The Post-War Crisis

The surprise on Saturday, 7 October, is the consequence of a series of failures in the armed forces, intelligence, logistics, preparation, and allocation of funds. In addition to those responsible at the tactical level, there are those responsible at the strategic level, namely the government and the prime minister. Once completed, the State of Israel would enter a period of political protest, fiercer than the last nine months. Civil society will undoubtedly demand a thorough investigation and the resignation and replacement of those responsible. Such a process will undoubtedly lead to the introduction of a new electoral system, likely to alter the political spectrum, alliances and national priorities.

Summary

2024 promises to be a year of extremely difficult struggles. In the first quarter, the intense fighting in Gaza will continue, with the gradual release of the reserve army to restore productivity to the economy. In the second and third quarters, we will move into the maintenance phase, alongside the ceasefire agreements in Gaza and Lebanon, and it is only towards the end of the year that we will see the start of economic recovery.

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