



## Press Release | Communiqué de Presse | Nota de Prensa

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### Overview

We are in the sixth(!) month of war in Israel. It seems that Israel will fail to accomplish the goals of the war.

- **Hostages:** The negotiation seems to be handled by two parties that are playing tough, like none of them are pressed by the situation of the hostages and the refugees. We estimate that some live hostages will be returned from Hamas, maybe others will be released in a military operation, but the majority of the hostages and bodies will never be recovered.
- **Hamas elimination:** We estimate that Hamas will retain some powers, at least in the civil and governance level, but, possibly, even military power. It is too early to predict Hamas leaders' future, but the Hamas ideology and hate toward Jews and Israel will remain.

### Gaza Strip

The Hamas attack on 7 October broke all the rules of the game in the long-standing conflict with terrorism in a way that the only option Israel faced is to fight Hamas. The goals of the war are to rescue the hostages and 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. On March 1st, we had another reminder to a booby-trapped tunnel, killing three soldiers and wounding seven more.
- Use of "Human Shields" - Israel's hostages as well as the Palestinian civilian population are protecting with their bodies the surroundings of Hamas leaders. According to some sources, the "brave" Hamas generals are travelling in the underground labyrinth escorted by heavily armed bodyguards and hostages. Any attempt to reach the leaders or hostages will eventually end with many fatalities.
- Sensitivity to international public opinion. Israel's public image and the endorsement from the global community is vital, as the Jewish state depends on the moral, diplomatic and economical support of the advanced nations. Therefore, the flow of supplies to the Palestinian refugees will continue.

As stated, Israel will not fully occupy the Gaza Strip, but is seeking to create conditions that will improve the security and safety of Israeli settlements in the South. It will be in a form of a buffer zone, high presence of military and intelligence forces in the region, as well as international assurances.

### Lebanon

Israel has open on-going combats against Hezbollah on its northern border with Lebanon. Both Netanyahu and Nasrallah are hitting the Region a little bit every day, without reaching to a full-scale war. Over the last five 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. Both sides, IDF and Hezbollah, are playing a dangerous game of intensified tension and teasing, while sitting over a barrel of gun-power. A single missile that will hit a group of civilians or border-crossing, from any side, may lit the Region. We believe that the fighting will remain more or less on the same level, the border will not be dragged to a war. We have to remember also the moral, social and economic cost of deserting all the towns and villages, for more than five months.

We have to remember that Hezbollah have a huge arsenal of war heads, aiming toward Israel, mainly to the cities, military bases and critical infrastructure. In the event of a combined attack from Lebanon, it will be almost impossible to intercept 100% of those missiles, rockets, drones, UAVs and short-range mortars.

Israel sees the Lebanese government as officially responsible to Hamas and Hezbollah activities from Lebanon, but we know that the leadership of the country is poor and weak.

### **West Bank**

In the last months we noticed many terrorist attacks and many more failed attempts, from the Palestinian Authorities territory at the West Bank.

Hamas is the strongest political and military movement in the Palestinian Authority, much more than the EI-Fatah movement. This is the main reason that the PA refuses to call for elections, knowing that it will lose its power to the fundamentalists. The IDF and Shin-Bet, with the help of the PA, are working very hard to contain the situation, with massive arrests of Hamas fighters and hermetic seal over the Separation Wall. The main risk at this front is the proximity to Israeli cities, villages and settlements. We believe that this area will cause casualties mainly within the settlers and persons transiting via the West bank roads. In the last weekend, the PA arrested for the first time wanted terrorist, so the coordination between the Ramallah and Jerusalem is still working.

### **Israeli Arabs**

Some 20% of the Israeli population are Muslim-Arabs. Most of them are good contributing citizens, that are working, studding and living in harmony with the Jewish population. A small fraction of them is radicalized and joined fanatic Islamic groups, related to Hamas, the Muslim Brotherhood and ISIS. The Shin-Bet is trying to monitor them, but as barriers of Israeli ID, they enjoy free access, that can be used for terrorist and espionage activities.

### **Yemen**

The Houthis launched missile and drone attacks and hit bases and cargo ships with and without links to Israel. This alone has effectively caused the partial 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, as well as Jordan's only access to the ocean.

During the weekend the British fertilizer ship Rubymar sank in the waters of the Gulf of Aden, after a Houties missile attack. It will cause an environmental disaster to the marine life, in the Yemenite shores. The Irani backed-up militia informed that they will continue to target UK flagged vessels.



The Houties are also trying to reach Israeli airspace with long-range missiles, so far without any success.

## **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 munitions and deadly weapons and shares intelligence with them. For example, most of the precision kits for the Hezbollah missiles are from Teheran or financed by them. As Israel is trying to control the flames in the Region, it is targeting shipments, logistical centers, Irani advisors and some critical infrastructure facilities, mostly in Syria and Lebanon. It seems that the Israeli intelligence have plenty of incriminating evidences to the involvement of Iran.

## **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 in favor of a cessation of hostilities by Israel. The declarations of some right-wing ministers and actions of the government may force the White-House to take unilateral decision regarding the recognition of a Palestinian State.

The White-House manifested in many occasions its frustrations from the Israeli leadership, mainly of PM Netanyahu and several ministers.

## **The Israeli community**

The Israeli government is not handling the war as it should. However, civil society, as well as the Judiciary, 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.

The pressure from the center-left of the population, the hostages’ families and displaced communities will grow and apply strong pressure on the Prime minister.

The CoVid term “Hybrid-Work” is back, but with a switch. Many reservists, are going to split the time between the workplace and the military service. Therefore, one of the issues of the unrest is the planned legislation to increase the mandatory military service, reserve duties and the load over the secular society. Such law will leave hundreds of thousands Orthodox Jews that will (continue to) not contribute with the efforts.



## **Hostages**

Hamas is still holding more than 134 people, including many civilians, children, babies, elderly and foreign nationals, whose exact number and health condition are unknown. The negotiations are not going well, due to lack of communication with the Gaza-based Hamas leaders, pressure from the Political Branch of the Organization based in Qatar, the multiple mediators (Egypt, Norway, France, USA, Qatar and Germany) and the lack of trust between the parties. Every day that the hostages are in the poor conditions in Gaza, without proper medication and food, are reducing the chances to receive them alive. Hamas is using a lot of psychological warfare, by releasing information regarding the hostages, in order to demoralize the Israeli society, mainly the hostages' families and to increase the pressure over the PM.

The human factor is significant because Israel and the countries of origin of the hostages 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. We are not sure if medications sent to them reached the old, sick and wounded 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.

## **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. As planned, many of the IDF brigades left Gaza, allowing the civil life in Israel to return to some normality, and signaling that Israel's intention is not to reoccupy Gaza. 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 by the third 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. It is estimated that Southern Lebanon is filled with rockets and missiles, more than the entire arsenal of NATO, combined, are currently targeting every point in Israel. As we know that the terrorists may damage also many strategic infrastructure facilities, such as refineries, ports and airports, electric and desalination plants and military bases. Such a war will be painful, and its impact may be severe. As matter in fact, some grim scenarios, regarding long blackout has been released by the Government.



## Israeli Economy

The Israeli economy is already suffering significant damage caused by the attack on October 7<sup>th</sup> 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. As a consequence, Moodie's decided to downgrade Israel's international credit rating to A2, with a negative outlook. S&P and Fitch may take similar action in the next weeks. According to the Report, the downgrade reflects the increasing risk and the poor response to the crisis. Despite this, the Israeli economy is strong and the deterioration in the debt-to-income ratio and the expected fall in the 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. Jordan is also suffering, as the only port is in Aqaba, the Red Sea.

## The Post-War Crisis

The surprise on Saturday, October 7<sup>th</sup>, 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 elections, likely to alter the political spectrum, alliances and national priorities. We can evidence such tendency already, as several ministers, from both sides of the political map are not aligned with the PM. The most recent is Benny Gantz trip to the USA, without Netanyahu's permission. We understand that the PA will suffer from even more severe unrest, due to the internal clashes of the leadership in Ramallah and Gaza. Israel will not tolerate a Hamas or any fundamentalist group in power, five miles from its cities.

## Summary

2024 promises to be a year of extremely difficult struggles. In the first quarter, the intense fighting in Gaza will continue, with more 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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